



# PRINCE WILLIAM COUNTY

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## Prince William County, Virginia Internal Audit Report –Tax Administration Division

April 1, 2022



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# TRANSMITTAL LETTER



April 1, 2022

The Board Audit Committee of  
Prince William County, Virginia  
1 County Complex Court  
Prince William, Virginia 22192

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Pursuant to the internal audit plan for calendar year (“CY”) 2021 for Prince William County, Virginia (“County” / “PWC”), approved by the Board of County Supervisors (“BOCS”), we hereby present the internal audit of the Tax Administration Division. We will be presenting this report to the Board Audit Committee of Prince William County at the next scheduled meeting on July 19, 2022.

Our report is organized into the following sections:

<b>Executive Summary</b>	This provides a high-level overview and summary of the observations noted in this internal audit, as well as the respective risk ratings.
<b>Background</b>	This provides an overview of the function within the process, as well as pertinent operational control points and related requirements.
<b>Objectives and Approach</b>	The objectives of this internal audit are expanded upon in this section, as well as the various phases of our approach.
<b>Observations Matrix</b>	This section gives a description of the observations noted during this internal audit and recommended actions, as well as Management’s response including the responsible party, and estimated completion date.
<b>Process Maps</b>	This section provides a visual depiction of the workflow of key processes.

We would like to thank the staff and all those involved in assisting our firm with this internal audit.

Respectfully Submitted,

*RSM US LLP*

**Internal Audit**



## EXECUTIVE SUMMARY

### Background

Tax Administration functions are a vital component of collecting, recognizing, and managing revenue within local governments. At the County, the Tax Administration Division (“Tax Administration,” “Division”) within the Finance Department is responsible for enrolling and assessing tangible personal property for individuals and businesses, billing and collecting current and delinquent real and tangible property taxes and licenses among other taxes, depositing and recording revenues, and enforcing compliance with local tax laws.

Within Tax Administration, various teams are responsible for components of key tax administration processes which include taxpayer services, regulatory compliance services, collections, revenue accounting, and business systems management.

The Tax Administration Division tracks most tax transactions using the CountyOne tax administration system. Effective July 1, 2021, the new Oracle cloud-based financial and budget system, Mobius Financials, replaced Ascend as the financial management system used by the County.

Taxpayer questions are addressed by the Taxpayer Services team, and payments are collected through electronic methods, by direct mail, via a third-party lockbox service and at three (3) collection centers, and revenue is recorded by the Revenue Accounting team. The Tax Compliance and Enforcement teams are responsible for identifying, assessing, auditing and pursuing tax collection efforts. In fiscal year (“FY”) 21, the County collected \$1.13B\* in tax revenue, primarily generated through property taxes.

\*Based on unaudited FY 2021 4TH Quarter Revenue Report

### Overall Summary / Highlights

The observations identified during our assessment are detailed within the pages that follow. We have assigned relative risk or value factors to each observation identified. Risk ratings are the evaluation of the severity of the concern and the potential impact on the operations of each item. There are many areas of risk to consider in determining the relative risk rating of an observation, including financial, operational, and/or compliance, as well as public perception or ‘brand’ risk.

***We would like to thank all County team members who assisted us throughout this internal audit.***

### Objectives and Approach

The main objective of this internal audit was to assess whether the system of internal controls is adequate and appropriate for effective tax administration cash handling and customer service processes. Our testing was conducted utilizing sampling and other auditing techniques to meet our audit objectives outlined above. Procedures performed included the following, where applicable:

- Assessed the adequacy of the applicable policies, procedures and guidelines available for each County tax type;
- Evaluated the cash handling process for each County tax type including how cash is collected, maintained, distributed, and reported;
- Assessed the sufficiency and effectiveness of segregation of duties and access controls related to the cash handling processes;
- Selected a sample of cash collections for proper documentation of receipt, recording, and reconciliation by the responsible employee;
- Analyzed receivable account balances and trends by tax type to identify collection problems or errors;
- Evaluated customer service process, protocols and metrics related to appropriate response protocols, including response time for calls based on documented procedures;
- Evaluated payment methods and benchmarked against available payment options offered by comparable local governments;
- Evaluated attributes of the County’s Tax Administration website against comparable local governments; and
- Performed data analytics, where possible, to evaluate the operational performance of the Tax Administration Division.

Our audit period was July 1, 2020, through June 30, 2021. At the conclusion of our audit, we summarized our findings into this written report and conducted exit conferences with management.

Fieldwork was performed December 2021 through March 2022.

### Summary of Observation Ratings

*(See page 3 for risk rating definitions)*

	High	Moderate	Low
Tax Administration	3	2	2



## EXECUTIVE SUMMARY – CONTINUED

### Observations Summary

The following is a summary of the observations noted in the areas reviewed. Each detailed observation is included in the observation matrix section of the report. Improvement opportunities have been provided following the detailed observations section. Definitions of the rating scale are included below.

Summary of Observations	
Observation	Rating
1. Policies and Procedures	High
2. Cash Handling Process	High
3. Daily Reconciliation Process	High
4. Monitoring of Delinquent Accounts	Moderate
5. Customer Service	Moderate
6. Monitoring of Customer Service KPIs	Low
7. County Website	Low

Provided below are the observation risk rating definitions for the detailed observations.

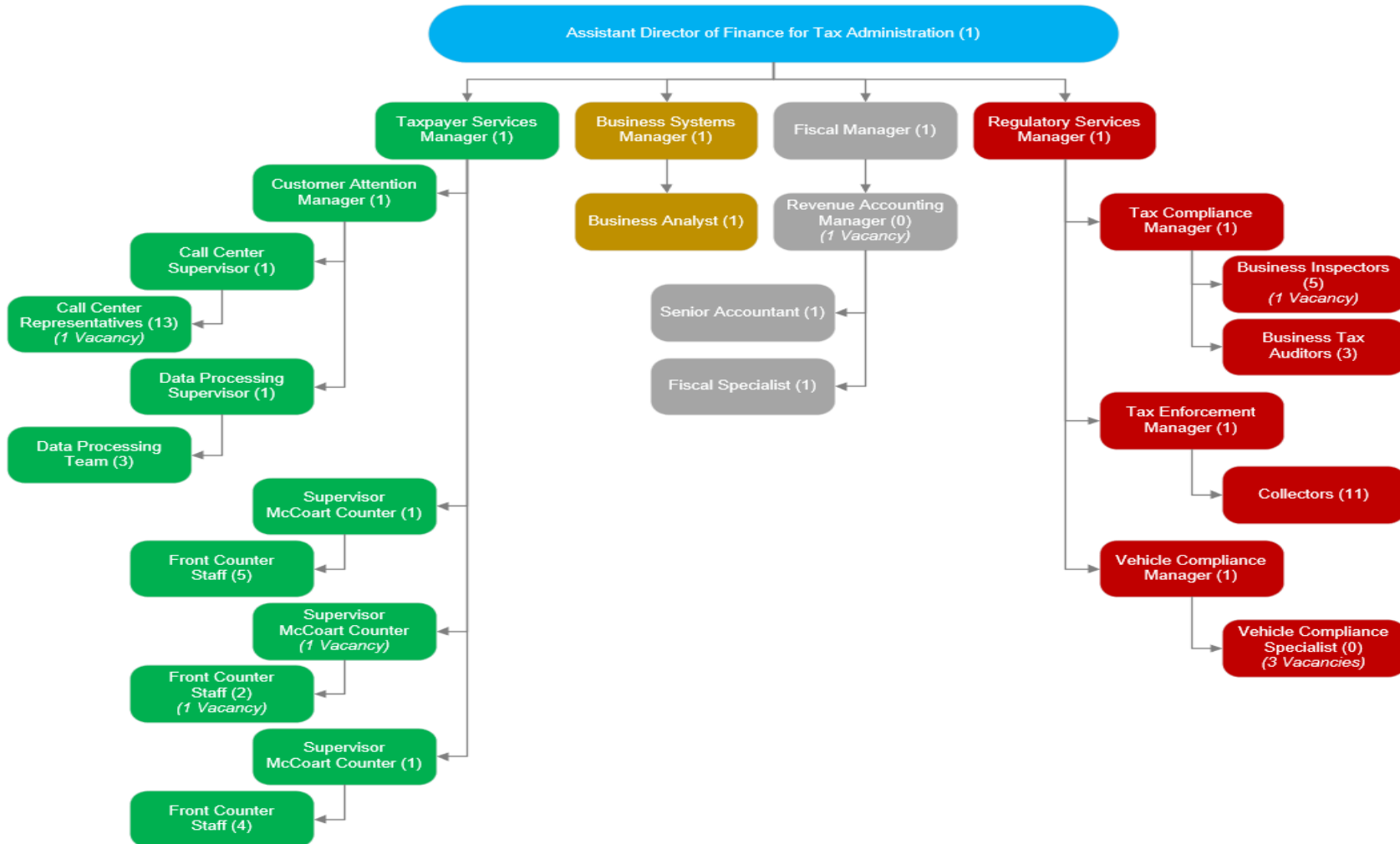
Observation Risk Rating Definitions	
Rating	Explanation
Low	Observation presents a low risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of low importance to business success/achievement of goals.
Moderate	Observation presents a moderate risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of moderate importance to business success/achievement of goals. Action should be in the near term.
High	Observation presents a high risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of high importance to business success/achievement of goals. Action should be taken immediately.



## BACKGROUND

### Overview

The Tax Administration Division is responsible for billing and collecting real estate taxes and associated fees, uniformly assessing, billing and collecting tangible personal property taxes and fees, and billing and/or collecting various other taxes and revenues such as business, professional and occupational license (BPOL), taxes on business activities, pet licenses and fees, court fines and associated fees, Sheriff fees, and other related fees for Prince William County. The Division is responsible for a variety of related functions including inspections and audits, delinquent collections, vehicle compliance, data processing, revenue accounting and systems management. The current Tax Administration organization chart, as of February 2022, is provided below:





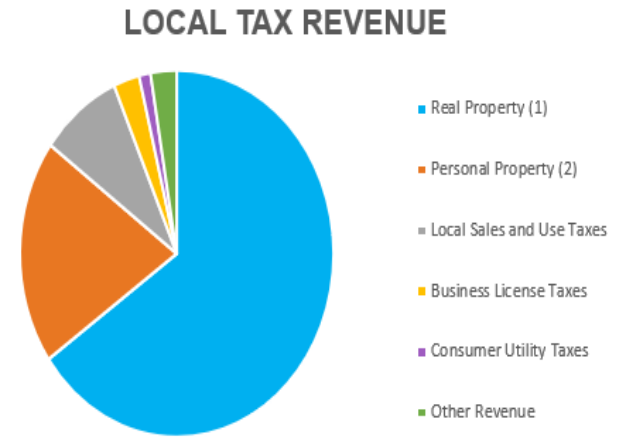
## BACKGROUND

### Local Tax Revenues

Tax administration functions are a vital component of billing, collecting, recognizing, and managing revenue within local governments. As a division of the Finance Department, Tax Administration is responsible for enrolling and assessing tangible personal property for individuals and businesses, billing and collecting current and delinquent real and tangible property taxes and licenses, among other taxes, depositing and recording revenues, and enforcing compliance with local tax laws.

The primary source of tax revenue generated by the County is from Real and Personal Property. Per the County’s FY21 Quarterly Revenue and Expenditure Report (including preliminary unaudited Q4 data), the County generated \$1.13B in tax revenues. Real and Personal Property taxes accounted for \$952M, or 85%, of total tax revenue generated in FY21. The County is striving to diversify revenue sources to promote stability as identified in Policy 3.01 of the County adopted Principles of Sound Financial Management (PSFM).

The illustration on the right outlines the sources of local tax revenue generated by tax type. Other taxes include motor vehicle license taxes, recordation, grantor’s and deed taxes, hotel/motel transient occupancy taxes, bank franchise taxes, license taxes, consumer utility and consumption taxes, communication sales & use taxes, and other local taxes not specified.



Source: Unaudited PWC FY21 Q4 Revenue Report.

### Daily Reconciliation of Tax Revenues

The Tax Administration Division’s Revenue Accounting Manager, Revenue Accountant, Fiscal Specialists, and Cashiers work together to validate that the County receives, accurately records, reconciles, and successfully posts all revenues to the County’s tax administration system, CountyOne, and financial management systems, Mobius. The Revenue Accountant verifies that the transaction originator (i.e., PayPal, credit/debit card, etc.), the bank/lockbox, CountyOne, and Mobius all reconcile. The Revenue Accountant utilizes an Excel workbook, called the Daily Ledger and Posting Sheet, to facilitate reconciliations. This Excel workbook has multiple spreadsheet tabs that serve the following purposes:

- record daily total for each originator (e.g., PayPal, Official Payments, Discover cards. etc.)
- create a posting sheet for daily transactions, and
- facilitate the daily and monthly reconciliation.

The posting sheet provides the necessary information to facilitate data entry into the Mobius financial management system. Once the posting sheet is complete, the Revenue Accountant reconciles the bank statements, CountyOne, and applicable originator reports. Then, the Revenue Accountant forwards the posting sheet to the Fiscal Specialist who posts the specified transactions into the Mobius financial management system. All daily tax revenue transactions post to a generic tax revenue account (“tax bucket”) in the general ledger.

Once per month, the Revenue Accounting Manager must distribute the total tax revenues recorded in CountyOne to the appropriate Mobius general ledger accounts and then create a journal entry to upload this data to Mobius. This journal entry will move the tax revenues from Mobius’s aggregated “tax bucket” general ledger account to the individual tax revenue accounts. The Revenue Accountant accomplishes this by completing the following tasks:

1. Generate the CountyOne General Ledger (GL) Interface File	3. Cross Reference to the Mobius Account Codes
2. Sort Data and Isolate Each Tax Type	4. Create the Journal Entry and Upload to Ascend



## BACKGROUND - CONTINUED

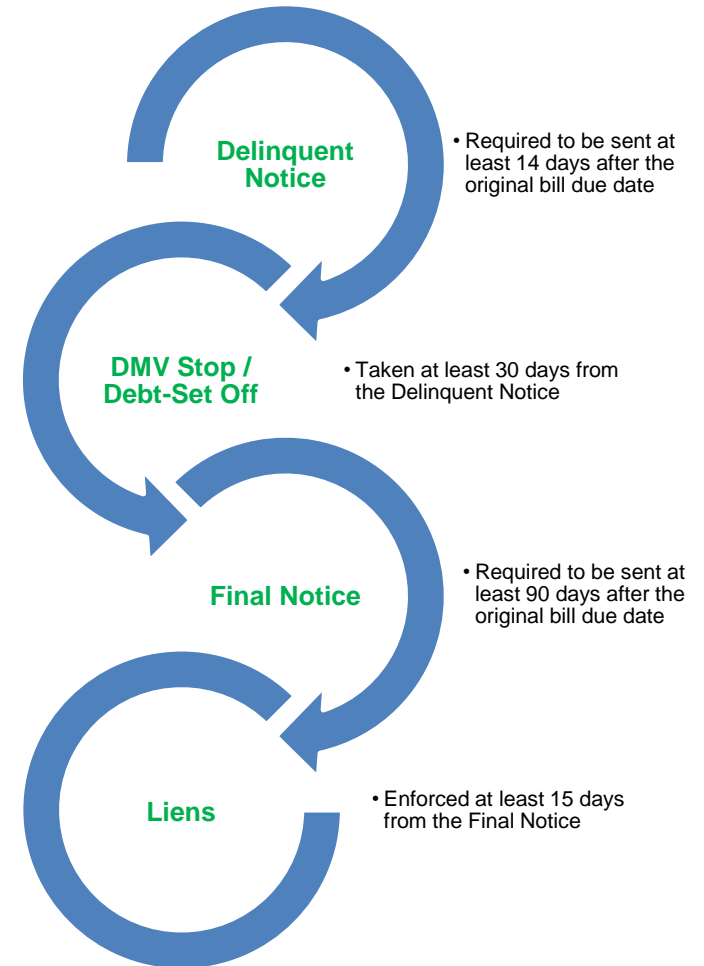
### Delinquent Accounts

The Tax Administration Division may exercise any of the powers of collection allowed by the Code of Virginia. There are a myriad of collection actions ranging from a telephone call to the taxpayer, to requesting the account be referred to the County Attorney for possible filing of a lawsuit to obtain a judgment, or filing of a bill in equity for sale of delinquent real estate parcels. All attempts to contact the taxpayer either verbally or in writing are noted in the history notes of the taxpayer account, in CountyOne. Within these parameters, collectors may use any of the following tools as collection methods:

- Telephone call
- Final notice letter
- DMV registration “stop” withholding
- Set-off debt claim (DSO) program
- Tax lien to employer or bank
- Third-party tax lien to landlord, tenant
- Net proceeds lien to title company (real estate)
- Judicial tax sale of real estate
- Payment plans with end date prior to next due date
- Summon a taxpayer, business owner, or family member (heir) to answer Interrogatories (questions) under oath, or to produce documents relating to such tax liability.
- Warrant in Debt or Civil Complaint for Money Damages
- Distress Warrant - levy, seizure, and sale of personal property assets, as well as seizure of money in business registers, belonging to the debtor and found within the Commonwealth of Virginia to satisfy delinquent taxes and other charges owed to the County Tax Administration maintains processes and procedures for managing delinquent accounts based on various factors including the age of the delinquent account. The illustration to the right highlights the timing of some of the primary enforcement actions used by the Tax Administration Division.

Tax bills specify the various payment methods available to the taxpayers. These payment options include online payments through the PWC website (via PayPal, e-check, or credit/debit cards), payments through the telephone (via credit/debit cards), and payments through U.S. mail (via check). Additionally, the County provides the option for in-person payments through one of the three (3) taxpayer services locations (via credit/debit cards, cash, or checks):

1. Dr. A.J. Ferlazzo Building;
  2. Sudley North Government Center; and
  3. James J. McCoart Administration Building.
4. Payment plan arrangements are available after a taxpayer account becomes delinquent. Payment arrangements must follow the term guidelines set by Tax Administration. Overall, all delinquent accounts on a payment plan must be paid in full before the next tax due date.







## BACKGROUND - CONTINUED

### Key Performance Indicators

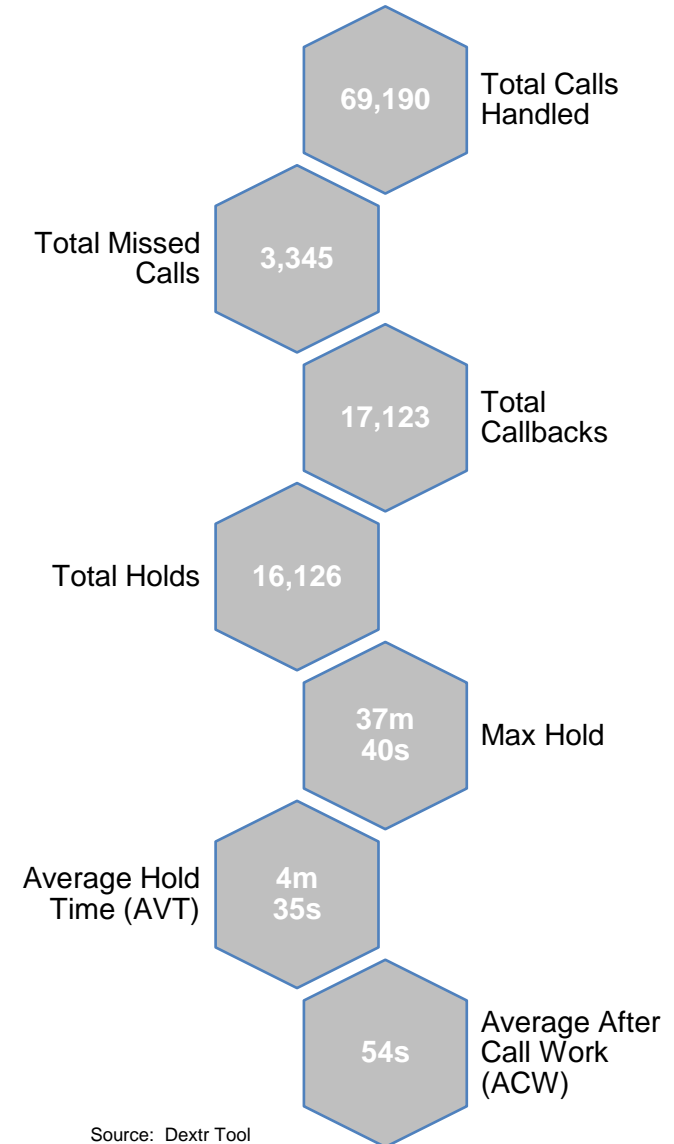
The intention of collecting the call and email data is to assist Tax Administration in tracking key performance indicators (“KPIs”). Monitoring KPI data is an invaluable exercise for any organization; it allows leaders to identify potential issues, positive trends, workload distribution by full-time equivalent (FTE), efficiencies, and areas for improvement. The County has implemented different tools to assist in tracking relevant data points based on the method used to communicate with taxpayers. These tools include the following:

- *Dextr*: Beginning in April 2021, the Tax Administration Division began collecting customer service call data across all call centers using Dextr. The online customer service and performance dashboard is used to track phone calls. Capabilities include organizing calls by tax type and reason, and calls response times.
- *SalesForce*: Beginning in January 2022, the County started using a new tool, SalesForce, to track taxpayer interactions via e-mail. Capabilities include organizing emails by tax type and category, response times, and knowledge library capabilities.

From April 2021 through December 2021, the Dextr tool captured 69,190 total calls handled by Taxpayer Services’ customer service agents. Of these calls, approximately 16,126, or 23%, were placed on hold for an average of 4m 35s. Additionally, 3,345, or 5%, of calls were missed. The illustration to the right highlights some of the KPI’s tracked over this period. A brief description of some of the metrics are provided below.

- Average Hold Time (AVT) is calculated by adding up all inbound customer call hold times and dividing that by the number of inbound customer calls answered by the agent or interactive voice response (IVR) system. Firms have various options for reducing their average hold time:
  - Increase their call handling staff to meet demand
  - Offer more or better IVR to provide some of the services automatically
  - Reduce handle times through improved call handling procedures, training and system development
- After Call Work (ACW), refers to the actions that an agent completes after each customer interaction. After Call Work (ACW) is also known as “post-call processing”, and examples of ACW include:
  - Logging the contact reason
  - Logging the contact outcome
  - Scheduling follow-up contacts and actions
  - Updating colleagues

### PWC Tax Administration Key Performance Indicators (KPI’s)



Source: Dextr Tool



## BACKGROUND – CONTINUED

### Full-Time Equivalents (FTE)

The Division is comprised of several different teams which are summarized as follows:

- **TaxPayer Services:** Includes call center services, payment processing, email management, taxpayer education, web-site administration and Freedom of Information Act(FOIA) responses.
- **Regulatory Services:** Includes tax compliance and enforcement teams responsible for business inspections, education and audits, the tax evader program as well as tax collectors managing delinquent accounts, bankruptcies and set-off debt activities.
- **Revenue Accounting:** Includes the monitoring, recording and reconciliation of tax revenues generated by the County as well as various State generated receipts (Sales and Use, Consumer Utility, departmental grants, etc.).
- **Business Systems:** Maintain the systems utilized by the Tax Administration Division, manage interfaces, upgrades, and various other data processing duties.

Tax Administration is a division within the Finance Department comprised of 70 FTE's. According to the PWC FY22 Budget, the Tax Administration Division comprises 40% of the Finance Department FTE count, while utilizing 31% of the Finance Department budget.

Based on US Census data, the County population has experienced significant growth over the past decade, rising 7.2% since 2010. This has impacted the number of tax transactions, with total tax transactions rising by 42,754, or 6.4% over the prior five years. While both the population and the number of tax transactions has grown considerably within the County, the number of Tax Administration FTE's has remained relatively consistent. As of February 2022, there were eight (8) Tax Administration vacancies. The graph on the right illustrates the number of tax transactions, per FTE, over the prior five-year period.

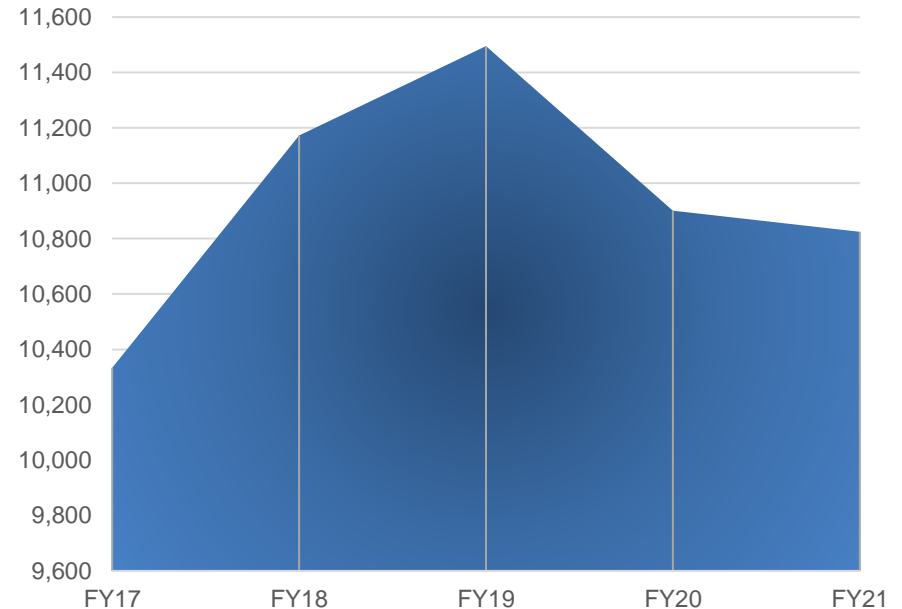
The table below provides a staffing comparison to similar Counties, outlining the number of FY22 FTE's as a ratio of total constituents.

County	Est Population *	FY22 FTEs**	Ratio of FTEs to Constituents
Prince William County	482,204	70	1 : 6,889
Fairfax County	1,150,309	297	1 : 3,873
Loudoun County	420,959	84	1 : 5,011
Arlington County	238,643	63	1 : 3,788

\* According to U.S. Census Data as of April 1, 2020

\*\* According to County Budget Documents. Rounded-up. Other counties' Tax administration teams may be part of larger departments

### Tax Transactions (PER FTE)



Source: PWC Budget Office



## BACKGROUND – CONTINUED

### Software Systems and Website

A. Taxpayer Portal: The County utilizes a Taxpayer Portal to provide taxpayers with information, tools, and resources. After creating an online account, some of actions available to taxpayers in the Tax Portal include:

Business account actions:	Individual account changes:
<ul style="list-style-type: none"> <li>Report a new vehicle</li> </ul>	<ul style="list-style-type: none"> <li>Report a change of address</li> </ul>
<ul style="list-style-type: none"> <li>Report a vehicle sold/moved/disposed</li> </ul>	<ul style="list-style-type: none"> <li>Report a new vehicle</li> </ul>
<ul style="list-style-type: none"> <li>Report high mileage for a vehicle</li> </ul>	<ul style="list-style-type: none"> <li>Report a vehicle sold/moved/disposed</li> </ul>
<ul style="list-style-type: none"> <li>Submit business license return</li> </ul>	<ul style="list-style-type: none"> <li>Report high mileage for a vehicle</li> </ul>
<ul style="list-style-type: none"> <li>Submit business tangible property return</li> </ul>	<ul style="list-style-type: none"> <li>Report changes in use for a vehicle</li> </ul>
<ul style="list-style-type: none"> <li>Submit consumer utility return</li> </ul>	<ul style="list-style-type: none"> <li>Request a refund</li> </ul>
<ul style="list-style-type: none"> <li>Submit consumption tax return</li> </ul>	<ul style="list-style-type: none"> <li>View payment history</li> </ul>
<ul style="list-style-type: none"> <li>Submit daily rental return</li> </ul>	<ul style="list-style-type: none"> <li>View tax history</li> </ul>
<ul style="list-style-type: none"> <li>Submit transient occupancy return</li> </ul>	<ul style="list-style-type: none"> <li>Report a Name Change</li> </ul>
<ul style="list-style-type: none"> <li>Request a filing extension</li> </ul>	
<ul style="list-style-type: none"> <li>Request a refund</li> </ul>	

B. *Mobius Financial Management System*: Effective July 1, 2021, the new Oracle cloud-based financial and budget system, Mobius Financials, replaced Ascend as the financial management system used by the County.

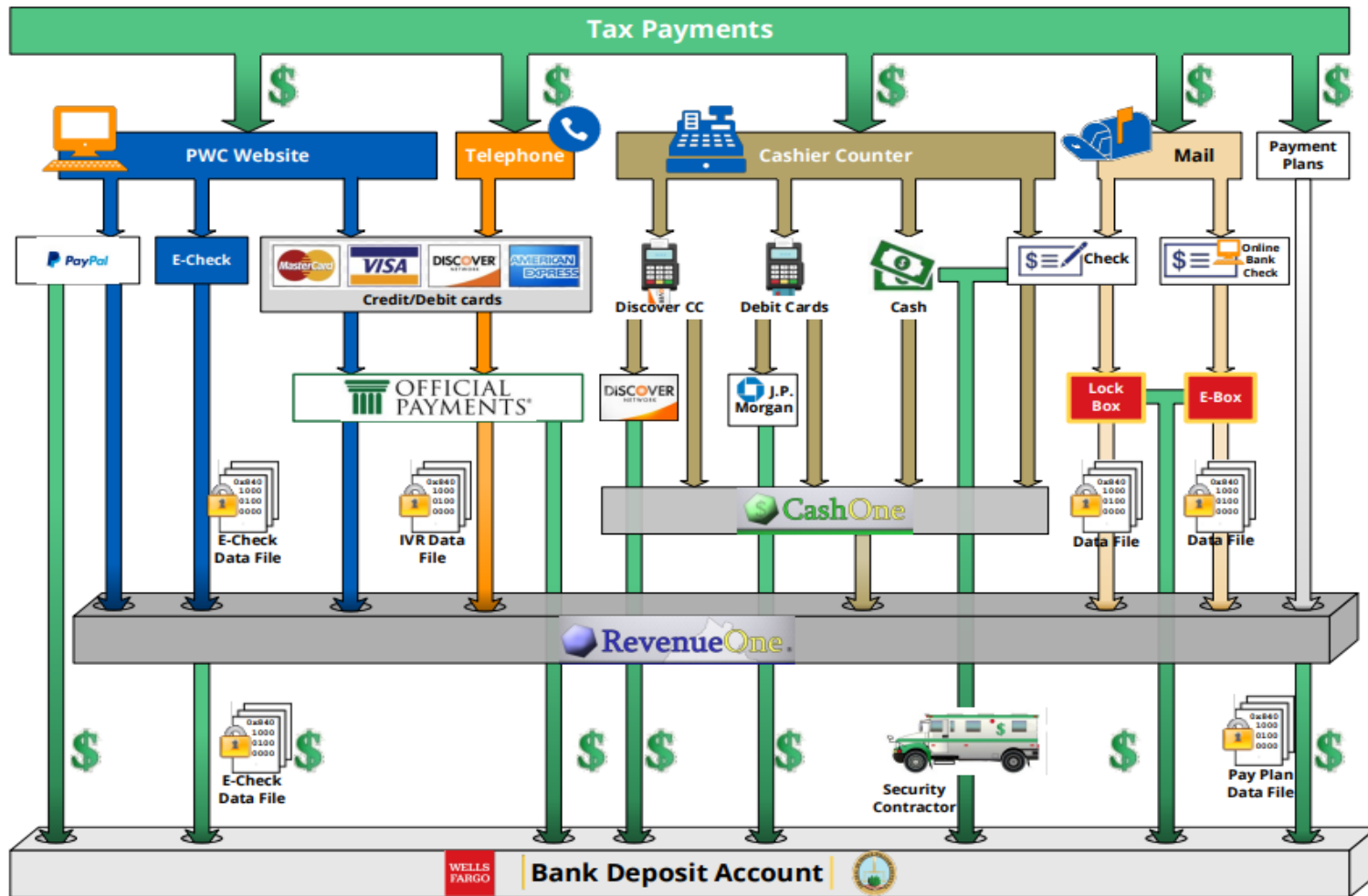
C. *CountyOne Tax Administration System*: The Tax Administration Division tracks most tax transactions using the CountyOne system. CountyOne refers to the combined applications of RevenueOne and CashOne.

- *RevenueOne*: A comprehensive revenue and tax management application. The Tax Administration Division uses RevenueOne for a variety of tax administration processes, and it is the central hub for many tax administration operations. All tax payments received are recorded and managed in RevenueOne, and RevenueOne interfaces with Mobius, a recent efficiency improvement initiated by the Finance Department.
- *CashOne*: The County uses CashOne for cash collection operations. CashOne fully integrates with RevenueOne and posts payment-related transactions in real time. Cashier staff use CashOne to record payments, create receipts, balancing, and closing, deposits, and reporting.



## BACKGROUND – CONTINUED

The flow diagram below depicts how each type of tax payment passes through the necessary processes and systems, and ultimately ends as a deposit into the County’s bank account. The transaction flow begins at the top, and the path a transaction takes depends on the payment option and the payment type. Green lines depict the flow of money, and other colors indicate transaction data.



Source: Tax Administration Revenue Accounting Manual



## BACKGROUND – CONTINUED

### Laws and Regulations

The County's Tax Administration team is subject to various federal, state, and local laws and guidelines including, but not limited to:

#### Federal Guidelines

- Code of Federal Regulations, Title 26, Chapter 1, Subchapter F, Part 301
- American Society for Public Administrative Code of Ethics

#### State Authority

- Treasurer's Association of Virginia Code of Ethics
- Code of Virginia, Title 58.1: *Taxation*
  - Subtitle I: *Taxes Administered by the Department of Taxation*
  - Subtitle III: *Local Taxes*
    - Chapter 32: *Real Property Tax*
    - Chapter 34: *Payments in Lieu of Real Property Taxation*
    - Chapter 35: *Tangible Personal Property, Machinery and Tools and Merchants' Capital*
    - Chapter 35.1: *Personal Property Tax Relief*
    - Chapter 36: *Tax Exempt Property*
    - Chapter 37: *License Taxes*
    - Chapter 38: *Miscellaneous Taxes*
    - Chapter 39: *Enforcement, Collection, Refunds, Remedies and Review of Local Taxes*

#### Prince William County Ordinances

- Prince William County Code of Ordinances, Chapter 11: *Licenses Generally*
- Prince William County Code of Ordinances, Chapter 13, Article III: *County Vehicle License Tax*
- Prince William County Code of Ordinances, Chapter 26: *Taxation*
  - Article II: *Personal Property Tax*
  - Article II: *Real Estate Property Tax*
  - Article V: *Tax Relief for Elderly and Disabled Persons*
  - Article VII: *Retail Sales Tax*
  - Article VIII: *Local Use Tax*
  - Article X: *Transient Occupancy Tax*
  - Article XI: *Bank Franchise Tax*
  - Article XII: *Recordation Tax*
  - Article XIII: *Short-Term Rental Property Tax*

#### Prince William County Tax Administration Division Policies

- *Revenue Accounting Policy*
- *Customer Service and Collections Manual*
- *Business Taxation Audit Manual*
- *Cash Handling and Cash Management Policy*



## OBJECTIVES AND APPROACH

### Objectives

The main objective of this internal audit was to assess whether the system of internal controls is adequate and appropriate for effective tax administration cash handling and customer service processes, with selected provisions of the administration as it relates to the operational process, management and administration of all taxpayer services, and to assess the Division's monitoring processes for opportunities for improvement. The audit period for sample selection and testing was from July 1, 2020, through June 30, 2021. We utilized additional historical data outside of our noted audit period for use in the background section of the report.

### Approach

Our audit approach consisted of the following three phases:

#### Understanding and Documentation of the Process

We conducted interviews with the appropriate representatives from Tax Administration to discuss the scope and objectives of the audit work, obtain preliminary data, and establish working arrangements. We obtained and reviewed 1) copies of financial information; 2) applicable Code of Virginia and County policies related to this internal audit and 3) other documents deemed necessary; and performed walkthroughs of the process(es) and key controls to gain an understanding of the function and assess the design of the process/key controls.

#### Evaluation of the Design and Operating Effectiveness of Process and Controls

The purpose of this phase was to assess the internal controls related to tax administration and customer service processes. Our testing was conducted utilizing sampling and other auditing techniques to meet our audit objectives outlined above.

Procedures included, but were not limited to the following, where applicable:

- Assessed the adequacy of the applicable policies, procedures and guidelines available for each County tax type;
- Evaluated the cash handling process for each County tax type including how cash is collected, maintained, distributed, and reported;
- Assessed the sufficiency and effectiveness of segregation of duties and access controls related to the cash handling processes;
- Selected a sample of cash collections for proper documentation of receipt, recording, and reconciliation by the responsible employee;
- Analyzed receivable account balances and trends by tax type to identify collection problems or errors;
- Evaluated customer service process, protocols and metrics related to appropriate response protocols, including response time for calls based on documented procedures;
- Evaluated payment methods and benchmarked against available payment options offered by comparable local governments;
- Evaluated attributes of the County's Tax Administration website against comparable local governments; and
- Performed data analytics, where possible, to evaluate the operational performance of the Tax Administration Division.

#### Reporting

At the conclusion of this audit, we summarized our findings into this report. We have reviewed the results with the appropriate Management personnel, and have incorporated Management's response into this report.



## OBSERVATIONS MATRIX

Observation	1. Policies and Procedures
High	<p>The Tax Administration Division administers a wide variety of taxes including business license, business personal property, machinery and tools, short-term rental, utility, and transient occupancy. Policies and procedures govern tax administration activities and provide guidance to employees. Consolidated policies and procedures provide consistency in day-to-day operations and reinforce management’s expectations for the Division. During our review, we noted the following key processes which lack comprehensive procedural guidance or in some cases any formal standard operating procedures at all:</p> <p><b>a. Incomplete policies and procedures:</b></p> <p><u>Delinquent accounts and collector’s responsibilities:</u> The Tax Administration Division maintains the <i>Customer Service and Collections Manual</i> and the <i>Revenue Accounting Policy</i> which include procedures surrounding collection objectives and responsibilities including delinquent notices, final notices, returned mail, enforcement cases, etc. Through testing, we noted specific tax and process guidance that were not outlined in the current policy documents. Examples of guidance and procedures omitted from the manual include, but are not limited to, the following:</p> <ul style="list-style-type: none"> <li>• Deadlines and prioritization: <ul style="list-style-type: none"> <li>○ While the current manual defines the minimum number of days that must pass prior to sending taxpayer communications and enforcement actions, there is no “maximum” that would determine when a collector is late in sending documentation to taxpayers.</li> <li>○ Limited guidance on prioritization of assigned tasks (i.e., tax type, age of delinquency, collection action type, etc.).</li> </ul> </li> </ul> <p><u>Reconciliation variances:</u> The <i>Revenue Accounting Policy</i> does not include how to manage variances identified through the daily tax revenue reconciliation process. The County may risk inaccurate accounting records without procedural documentation on how to investigate and document variance resolutions.</p> <p><b>b. Policies and procedures not in place:</b></p> <p><u>Cash handling standard operating procedures*:</u> Per the County’s <i>Cash Handling and Cash Management Policy</i>, Section 300.15, “Departments/Agencies must have detailed, written internal standard operating procedures for cash handling and cash management.”</p> <p>While the Tax Administration Division does maintain cash handling procedures within the <i>Revenue Accounting Policy</i>, formal guidance is not provided for all standard operating procedures performed. The County’s <i>Cash Handling and Cash Management Policy</i>, Section 300.15, outlines the procedures that should be consolidated and formally documented, at a minimum. Currently, the following procedures are not formally documented into written standard operating procedures:</p> <ul style="list-style-type: none"> <li>• A list of the primary and backup employees authorized to collect and record cash and their related responsibilities. Currently, a backup is only listed for the Fiscal Specialist, who completes the posting process.</li> <li>• A summary explaining the segregation of duties around cash handling and cash management.</li> <li>• Detailed security procedure.</li> <li>• Expectations regarding the timeliness of core enforcement actions.</li> <li>• Procedures related to the movement of cash from one employee to another or in and out of the safe.</li> <li>• Process and controls If two or more people work out of the same cash drawer.</li> <li>• Protocols for securing mail-in payments, if not processed through the third-party payment processor.</li> <li>• Procedures for safe combination changes.</li> </ul>





## OBSERVATIONS MATRIX – CONTINUED

<b>Observation</b>	<b>1. Policies and Procedures – Continued</b>
	<p><b>b. Policies and procedures not in place: (continued)</b></p> <p>This risk was also identified as part of the <i>Internal Audit Report - Cash Handling</i>, issued June 3, 2020.</p> <p>Complete, clear, and concise policies and procedures improve an entities training, auditability, and contingency plans which leads to greater operational performance with reduced risk of error and inconsistency in key operational processes.</p>
<b>Recommendation</b>	<p>We recommend the Tax Administration Division continue to enhance existing policies to provide additional procedural guidance related to the aforementioned processes. We recommend the Division formally review each policy and procedure, in accordance with the County's Meta Policy, so that policies and procedures remain up-to-date with current operational practices.</p>
<b>Management Action Plan</b>	<p><b>Response:</b></p> <p><b>a.</b> The Collections Policy Manual was updated in June 2021, and will be further updated to specify the general tax types and how delinquent accounts for each tax type will be addressed for collection and any other additional information applicable to Tax Enforcement.</p> <p><b>b.</b> The development and documentation of policies and procedures is a work in progress and an ongoing process. In 2021, Tax Administration hired a technical writer to start documenting policies and standard operating procedures. Regarding the Countywide Cash Handling and Cash Management Policy, Tax Administration recognizes that there have been several procedural changes that need to be updated in this policy as changes in segregation of duties is not documented in the Policy and Procedures eff. July 1, 2017. Tax Administration will work with Treasury Management and Financial Reporting &amp; Control, the policy's maintainer, to update and disseminate the updated policy.</p> <p><b>Responsible Party:</b> Tax Administration Manager for Taxpayer Services, Tax Enforcement Manager, Revenue Accounting Manager, and Assistant Director of Finance for Tax Administration</p> <p><b>Estimated Completion Date:</b> December 31, 2023</p>





## OBSERVATIONS MATRIX – CONTINUED

Observation	2. Cash Handling Process									
High	<p data-bbox="359 349 1902 378">During our evaluation of compliance with the County’s <i>Cash Handling and Cash Management Policy</i>, we noted the following issues:</p> <p data-bbox="359 396 751 423"><b>a. Cash audit documentation:</b></p> <p data-bbox="359 428 1995 638">Per the County’s <i>Cash Handling and Cash Management Policy</i>, “<i>Cash drawer opening balances must be verified by a count and the amount recorded along with the signature and date of the employee counting the drawer before operations commence.</i>” Effective October 2020, cash audits are performed twice each day at each of the three (3) taxpayer collection sites; once in the morning and once at business closing. Through detail testing, we noted that no evidence of these cash audits was provided for 50% (17 of 34) of the cash audits selected for testing. We understand that significant changes in staffing and in cash audit procedures may have contributed to the detailed exceptions. However, without consistent performance of supervisory cash audits, the opportunity for fraudulent activity increases along with the risk of human error going undetected.</p> <p data-bbox="359 656 863 683"><b>b. Inappropriate segregation of duties:</b></p> <p data-bbox="359 688 1995 776">Per the County’s <i>Cash Handling and Cash Management Policy</i>, “<i>to minimize the potential for mistakes and/or misappropriation of cash, cash handling functions shall be segregated. Separate individuals shall conduct authority, recordkeeping, custody and reconciliation of cash</i>”. We noted the following instances of improperly segregated duties:</p> <table border="1" data-bbox="506 794 1845 1060"> <thead> <tr> <th data-bbox="506 794 1131 854">Issue Description</th> <th data-bbox="1131 794 1488 854">Count of Instances</th> <th data-bbox="1488 794 1845 854">Associated Dollar Value</th> </tr> </thead> <tbody> <tr> <td data-bbox="506 854 1131 956">Cashier collected cash AND Cashier created the CashOne deposit</td> <td data-bbox="1131 854 1488 956">1</td> <td data-bbox="1488 854 1845 956">\$66,083</td> </tr> <tr> <td data-bbox="506 956 1131 1060">Counter Supervisor created deposit in CashOne AND Counter Supervisor posted funds to Mobius</td> <td data-bbox="1131 956 1488 1060">13</td> <td data-bbox="1488 956 1845 1060">\$6,917,230</td> </tr> </tbody> </table> <p data-bbox="359 1078 1129 1105">Per the Tax Administration Division’s <i>Revenue Accounting Policy</i>:</p> <ul data-bbox="407 1127 1919 1219" style="list-style-type: none"> <li>• Cashier counter staff are responsible for “<i>collecting tax payments</i>” and</li> <li>• Fiscal Specialist is responsible for “<i>posting ACH and deposit transactions into the... financial management system each day</i>”.</li> <li>• Revenue Accountant is responsible for “<i>prepare(ing) deposits for posting in the County’s...financial management system</i>”.</li> </ul> <p data-bbox="359 1240 1995 1328">Without properly segregating the authority, recordkeeping, custody, and reconciliation activities, the County may not be able to reduce the risk of both erroneous and inappropriate actions. Segregating cash handling duties reduces the opportunity for fraud and the likelihood that human errors go undetected and uncorrected.</p>	Issue Description	Count of Instances	Associated Dollar Value	Cashier collected cash AND Cashier created the CashOne deposit	1	\$66,083	Counter Supervisor created deposit in CashOne AND Counter Supervisor posted funds to Mobius	13	\$6,917,230
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## OBSERVATIONS MATRIX – CONTINUED

Observation	2. Cash Handling Process – Continued
	<p><b>c. Timely recognition of revenue</b></p> <p>We noted four (4) instances where daily tax revenue was not posted to Mobius in a timely manner. Currently, County policy does not clearly stipulate expectations as to when Mobius postings must be made (see <b>Observation 1</b>). However, of the 24 daily postings selected for testing, four (4) were posted, on average, 10.2 business days following payment date. The total value of these postings was \$3,478,900. Timely Mobius postings is critical to recognizing revenue in the appropriate period and creating accurate financial reports. Cash handling is an inherently high-risk function for any organization. Maintaining an effective control environment is essential to reduce opportunities for fraud, detect human errors, and improve the accuracy of reporting financial information to constituents and regulatory authorities.</p>
<p><b>Recommendation</b></p>	<p>The Tax Administration Division should implement a formal training program to reinforce expectations of key cash handling processes. Trainings should cover, but not be limited to:</p> <ul style="list-style-type: none"> <li>• Roles and responsibilities</li> <li>• Document retention practices;</li> <li>• Segregation of duties expectations; and</li> <li>• Timeliness of revenue recognition.</li> </ul> <p>Additionally, to limit the manual components of day-to-day cash handling procedures, we recommend the County evaluate opportunities to automate key cash audit procedures through the CashOne system.</p>
<p><b>Management Action Plan</b></p>	<p><b>Response:</b></p> <p><b>a.</b> Tax Administration implemented a new Cash Audit system in October 2020, where the Cash bags are counted in the morning and at the close of business day by different cashiers, Due to the process being new, some of the samples that were requested were in proximity of the implementation date and were not available. There were also changes in Supervisory Staff in November of 2020.</p> <p><b>b.</b> Policies and procedures are in place for the proper segregation of duties and are followed by staff. However, Tax Administration runs a very lean operation and, in the instances, where the same person performed functions that are supposed to be performed by different staff, Tax Administration was in the process of hiring upgraded positions to serve as the supervisors' backup. These noted instances are anomalies due to vacancies.</p> <p><b>c.</b> Tax Administration recently implemented a "Daily Interface Export File" from Rev1 to Mobius that addresses variances as they occur for immediate corrective action rather than by month end and ensure posting of revenues in a timelier manner.</p> <p><b>Responsible Party:</b> Tax Administration Manager for Taxpayer Services, Revenue Accounting Manager, and Assistant Director of Finance for Tax Administration</p> <p><b>Estimated Completion Date:</b> December 31, 2022</p>



## OBSERVATIONS MATRIX – CONTINUED

Observation	3. Daily Reconciliation Process
<p style="text-align: center;"><b>High</b></p>	<p>Daily, the Revenue Accounting team reconciles revenue generated through each payment method to validate the transaction originator, the bank, RevenueOne (Rev1), and Mobius all reconcile. This daily reconciliation is performed and centrally recorded in an excel file for each month. Of the nine (9) months selected for testing, all nine (9) contained unexplained reconciliation variances with no evidence of investigation or resolution. These variances were sometimes accompanied by various notations, like “false”, but with no indication of what “false” signifies (i.e., incorrect amount reviewed by bank, incorrect taxpayer account, delayed revenue, etc.). Specifically,</p> <ul style="list-style-type: none"> <li>• Credit card transactions processed through Official Payments Corporation (OPAY) included the following amounts in unexplained OPAY variances: \$1,145,015; \$8,305; \$14,065; and \$5,871.</li> <li>• PayPal, Paymentech, and Lockbox transactions included the following amounts in unexplained variances: \$10,843; \$34,013,286; \$143,466; \$199,246; and \$105,583.</li> <li>• Various miscellaneous comments with no evidence of follow-up (i.e., “\$1,318 pending resolution”, “\$138 - waiting for”, etc.)</li> </ul> <p>Daily reconciliations are designed to detect errors and irregularities. Banking malfunctions, delays in processing times, human errors, miscalculations, and fraudulent activity may all be detected with an effective reconciliation process. The completeness and accuracy of reporting may be impaired without thoroughly investigating variances and documenting resolution.</p>
<p><b>Recommendation</b></p>	<p>We recommend that the Tax Administration Division perform the following:</p> <ul style="list-style-type: none"> <li>• Communicate daily reconciliation expectations and procedures to County staff.</li> <li>• Provide periodic training to reinforce expectations of key reconciliation activities.</li> <li>• Review reconciling issues to verify they are clearly identified, and the appropriate action is taken to research and resolve prior to month end (i.e., refund was processed, taxpayer account was updated, etc.).</li> <li>• Perform a supervisory review of reconciliations on a daily basis to validate those reconciliations are performed timely, completely, and accurately. Evidence of this review should be retained.</li> </ul>
<p><b>Management Action Plan</b></p>	<p><b>Response:</b> Tax Administration acknowledges finding occurring during a period of staff transition. Tax Administration has already taken the necessary action and steps to ensure that variances are researched and cleared on a timely manner, and notations adequately explained and clarified. Our current Daily Interface Export file from Rev1 to Mobius addresses variances as they occur for immediate corrective action rather than by month end. We will reinforce communication and training in these areas as recommended and retain evidence of supervisory review of daily reconciliations to ensure completeness and accuracy.</p> <p><b>Responsible Party:</b> Revenue Accounting Manager, and Assistant Director of Finance for Tax Administration</p> <p><b>Estimated Completion Date:</b> December 31, 2022</p>



## OBSERVATIONS MATRIX – CONTINUED

### Observation 4. Monitoring of Delinquent Accounts

**Moderate**

Certain tax types are not formally monitored as part of the delinquent account monitoring process. Through detail testing, we identified issues with the timeliness of initiating delinquent account collection actions and the clearing of collection actions.

**a. Insufficient monitoring of delinquent accounts:**

We noted that the Tax Enforcement team regularly reviews the aging of the four (4) largest tax revenue types, which includes Business License (BPOL), Business Tangible Property, Personal Property, and Real Estate. These tax types appear on the system-generated delinquent accounts report, and if payment is late by 90 days or more, also appear on the enforcement case report. However, we noted that these reports do not include the smaller tax types listed in Figure 1, whose delinquency is not actively monitored. For example, if a Consumption tax account is delinquent for 200 days, the account would not appear on any regularly reviewed report, and thus, would not be sent to the Collections team for enforcement action. During our review, we identified the outstanding balance of these smaller tax types to be approximately \$3,655. We noted that some of these smaller tax types, including the consumer utility tax and transient occupancy tax, were directly impacted by pandemic factors. While the consolidated outstanding balance may be low now, future revenue growth in these tax accounts could impact the likelihood of increased delinquent accounts.

Tax Types Not Currently Monitored	
Consumption Tax	Transient Occupancy Tax
Bank Franchise Tax	Public Service
Daily Rental Tax	Consumer Utility Tax

**b. Timeliness of collection actions:**

During our detailed testing, we noted that a sample of collector communications to delinquent taxpayers and enforcement of applicable collection actions (i.e., DMV-Stops, Debt Set-Offs, Bank Liens, etc.) were notably delayed. The table below summarizes our exceptions identified during testing for compliance with the requirements set forth in the *Customer Service and Collections Manual*:

Figure 1: Tax Types not currently monitored

Requirement: Delinquent Notice is sent at least 14 days after Original Bill due date		Requirement: DMV Stop or Debt-Set Off is taken at least 30 days from Delinquent Notice		Requirement: Final Notice is sent at least 90 days after Original Bill due date		Requirement: Liens are enforced at least 15 days from Final Notice	
Count of late instances	Average number of days	Count of late instances	Average number of days	Count of late instances	Average number of days	Count of late instances	Average number of days
22	281	14	210	9	926	7	344

Furthermore, we noted six (6) instances wherein the initial enforcement action (DMV Stop or Debt-Set-Off) was not taken, ten (10) instances wherein a Final Notice was not sent, and three (3) instances wherein collection action was not taken after the Final Notice.



## OBSERVATIONS MATRIX – CONTINUED

Observation	4. Monitoring of Delinquent Accounts – Continued																																																													
	<p><b>c. Monitoring of collection actions</b></p> <p>The Tax Enforcement team manages delinquent accounts at the enforcement-case level. We noted that each collector is assigned approximately 7,500 enforcement cases, each of which may contain three (3) to four (4) different delinquent account tax types. Collectors must individually click into each enforcement case to manage any associated delinquent account and identify relevant due-dates, follow-up actions, and the next required task (i.e., send Final Notice, review amended return, issue Debt-Set Off, etc.). Due to the large volume of enforcement cases, collectors prioritize enforcement cases with the highest delinquent dollar value. While prioritizing higher dollar value enforcement cases would allow Collectors to quickly apply action to larger dollar amounts, we noted that 99% of all enforcement cases have a value under \$5,000 (making up 70% of all delinquent dollars). Only 1% of all enforcement cases have a value greater than 5,000 (making up 30% of all delinquent dollars). While higher dollar enforcement cases are individually more material, the smaller delinquent accounts make up the vast majority of delinquent account dollars on a consolidated level.</p>																																																													
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #00AEEF; color: white;"></th> <th style="background-color: #00AEEF; color: white;">Count</th> <th style="background-color: #00AEEF; color: white;">Dollar Value</th> <th style="background-color: #00AEEF; color: white;">Count Percent of Total</th> <th style="background-color: #00AEEF; color: white;">Dollar Value Percent of Total</th> <th style="background-color: #00AEEF; color: white;">Average Days Aged</th> <th style="background-color: #00AEEF; color: white;">Follow-Up Date Included</th> </tr> </thead> <tbody> <tr> <td style="background-color: #00AEEF; color: white;">Cases Under \$100</td> <td style="text-align: center;">11,989</td> <td style="text-align: right;">\$491,635</td> <td style="text-align: center;">22%</td> <td style="text-align: center;">1%</td> <td style="text-align: center;">634</td> <td style="text-align: center;">10%</td> </tr> <tr> <td style="background-color: #00AEEF; color: white;">Cases Between \$100 and \$1,000</td> <td style="text-align: center;">36,718</td> <td style="text-align: right;">\$13,719,009</td> <td style="text-align: center;">67%</td> <td style="text-align: center;">40%</td> <td style="text-align: center;">437</td> <td style="text-align: center;">10%</td> </tr> <tr> <td style="background-color: #00AEEF; color: white;">Cases Between \$1,001 and \$5,000</td> <td style="text-align: center;">5,303</td> <td style="text-align: right;">\$9,766,744</td> <td style="text-align: center;">10%</td> <td style="text-align: center;">28%</td> <td style="text-align: center;">638</td> <td style="text-align: center;">27%</td> </tr> <tr> <td style="background-color: #00AEEF; color: white;">Cases Between \$5,001 and \$10,000</td> <td style="text-align: center;">434</td> <td style="text-align: right;">\$2,979,341</td> <td style="text-align: center;">1%</td> <td style="text-align: center;">9%</td> <td style="text-align: center;">1,038</td> <td style="text-align: center;">26%</td> </tr> <tr> <td style="background-color: #00AEEF; color: white;">Cases Between \$10,001 and \$25,000</td> <td style="text-align: center;">195</td> <td style="text-align: right;">\$2,870,135</td> <td style="text-align: center;">0%</td> <td style="text-align: center;">8%</td> <td style="text-align: center;">1,136</td> <td style="text-align: center;">32%</td> </tr> <tr> <td style="background-color: #00AEEF; color: white;">Cases Over \$25,001</td> <td style="text-align: center;">77</td> <td style="text-align: right;">\$4,610,140</td> <td style="text-align: center;">0%</td> <td style="text-align: center;">13%</td> <td style="text-align: center;">1,268</td> <td style="text-align: center;">26%</td> </tr> <tr> <td style="background-color: #00AEEF; color: white;"><b>Total Cases</b></td> <td style="background-color: #00AEEF; color: white; text-align: center;"><b>54,716</b></td> <td style="background-color: #00AEEF; color: white; text-align: right;"><b>\$34,437,003</b></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>							Count	Dollar Value	Count Percent of Total	Dollar Value Percent of Total	Average Days Aged	Follow-Up Date Included	Cases Under \$100	11,989	\$491,635	22%	1%	634	10%	Cases Between \$100 and \$1,000	36,718	\$13,719,009	67%	40%	437	10%	Cases Between \$1,001 and \$5,000	5,303	\$9,766,744	10%	28%	638	27%	Cases Between \$5,001 and \$10,000	434	\$2,979,341	1%	9%	1,038	26%	Cases Between \$10,001 and \$25,000	195	\$2,870,135	0%	8%	1,136	32%	Cases Over \$25,001	77	\$4,610,140	0%	13%	1,268	26%	<b>Total Cases</b>	<b>54,716</b>	<b>\$34,437,003</b>				
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	<p>Upon discussion with management and review of the RevenueOne system, we noted there is currently no mechanism in place for the Tax Enforcement Manager to monitor the timeliness of taxpayer communications or placement of collection actions. While the RevenueOne program has the ability to assign a follow-up date to each collector’s assigned delinquent account and the applicable next task, management does not currently require this function to be utilized by all collectors. On average, only 21.8% of all enforcement cases utilized the follow-up date function within RevenueOne. Assigning a follow-up date in RevenueOne would allow the collector to prioritize delinquent accounts by a factor other than dollar amount and provide management with an effective monitoring tool. Without utilizing the follow-up date function, the Tax Enforcement Team limits visibility into the timeliness of their collection actions.</p>																																																													
	<p>Furthermore, if a collector is on extended time off (i.e., parental leave, annual leave or sick leave, etc.), their assigned accounts are not re-distributed to another member of the team. Therefore, the removal of enforcement actions could be delayed, and management would not have the ability to readily identify the accounts that require removal of a collection action.</p>																																																													
	<p>Without consistent tracking of follow-up dates, management’s ability to measure progress towards assigned due-dates or identify inefficiencies within the collection team is limited.</p>																																																													



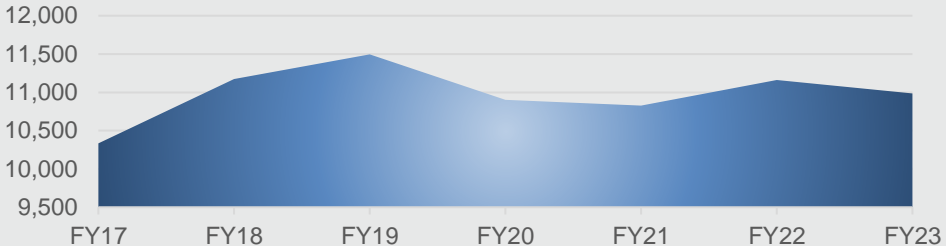
## OBSERVATIONS MATRIX – CONTINUED

Observation	4. Monitoring of Delinquent Accounts – Continued
<b>Recommendation</b>	<p>We recommend the following:</p> <ul style="list-style-type: none"> <li>• The County formally assign ownership of delinquent account monitoring for all tax types, including those smaller in dollar value. Taxpayer communication, enforcement actions, and monitoring methods may vary depending on each tax type, and we recommend the updated policies and procedures clearly define expectations for each tax type (See <b>Observation 1</b>).</li> <li>• The Tax Administration Division consider revising their current <i>Customer Service and Collections Manual</i> to include definitive timelines for sending delinquent and final notices. While the current policy defines the minimum number of days that must pass prior to sending these communications, there is no “maximum” that would determine when a collector is late in sending documentation to taxpayers. (see <b>Observation 1</b>).</li> <li>• If a collector’s workload is too heavy to initiate enforcement actions on all delinquent accounts in a timely manner, we recommend the County formally define prioritization methods for collectors to utilize and be measured against. These prioritization methods should be driven by dollar amount, tax type, and due dates.</li> <li>• The Tax Enforcement team consider developing a methodology to reassign enforcement cases to other members of the team or continue to explore additional automation methods to maintain activity when the assigned collector is on extended time off.</li> <li>• The Tax Enforcement team collaborate with the Department of Information Technology (DOIT) to automate the distribution of Final Notices and other general taxpayer communications relevant to each tax type.</li> <li>• The County should require all collectors to utilize the “follow-up date” functionality within RevenueOne. This should then be incorporated into the aforementioned prioritization methodology. Management should collaborate with DOIT establish reports based on each collector’s progress and adherence to the follow-up dates and use this report to facilitate daily and weekly monitoring actions.</li> </ul>
<b>Management Action Plan</b>	<p><b>Response:</b></p> <p><b>a.</b> Vehicle license taxes are part of the personal property tax, thus already being monitored and collected with delinquent personal property taxes by Tax Enforcement. Regarding other self-reporting business taxes, a process has been put in place to send out delinquent notices and for Tax Compliance to monitor and ensure compliance with filings and payments.</p> <p><b>b.</b> Collection actions are interdependent processes that follow a sequential timeline, thus the delay of one process affects any subsequent process. Some processes are automated while other processes are not. While Tax Administration strives to meet its established deadlines for collection actions completion, the timeliness of collection actions is prioritized by the number of cases a Collector can work daily, the monetary balance of the cases (i.e., higher dollar value first), and dates new cases are added, and sometimes changing the focus to real estate or business from personal property.</p> <p><b>c.</b> Already heavy Collector workload (approximately 5,000-8,000 enforcement cases) makes it difficult to reassign cases from absent Collectors to other staff. This approach would also slow down the productivity of those Collectors taking in the new cases. The automation of certain processes is already underway as discussed with internal auditors. Management acknowledges the recommendation regarding this finding but does not fully agree as some of the recommendations would hinder productivity rather than enhancing it.</p> <p><b>Responsible Party:</b> Tax Enforcement Manager and Assistant Director of Finance for Tax Administration</p> <p><b>Estimated Completion Date:</b> December 31, 2022</p>





## OBSERVATIONS MATRIX – CONTINUED

Observation	5. Customer Service																					
Moderate	<p>Through discussions with management and review of customer service data, we noted a disparity in FTE to constituents as compared to other jurisdictions.</p> <p>Based on US Census data, the County population has experienced significant growth over the past decade, rising 7.2% since 2010. This has impacted the number of tax transactions, with total tax transactions projected to rise by 53,296, or 7.4% by FY23. While both the population and the number of tax transactions has grown within the County, the number of Tax Administration FTE's has remained relatively consistent. The graph above illustrates the trend in tax transactions processed (per FTE) since FY17. As aforementioned, similar to the "People First Initiative" introduced by the IRS on March 25, 2020, Prince William County did not enforce collection actions during the onset of the COVID-19 pandemic which had a significant impact on the level of tax transactions processed during FY20 and FY21.</p>	<div data-bbox="1255 344 1759 430" data-label="Caption"> <p><b>Tax Transactions Processed (per FTE)</b></p> </div> 																				
	<p>When evaluating Prince William County Tax Administration staffing to other comparable counties, we noted that Prince William County maintains a ratio of one (1) FTE for every 6,889 constituents, a higher ratio compared to similar counties. The table to the right provides a staffing comparison to similar Counties, outlining the estimated population and the number of FY22 FTE's as a ratio of total constituents. Tax Administration FTE was reported in a previous Funds Handling report accepted August 4, 2015. The County had a ratio of one (1) FTE for every 6,743 constituents, which was the highest as compared to other jurisdictions then as well.</p>	<table border="1"> <thead> <tr> <th>County</th> <th>Est Population*</th> <th>FY22 FTEs**</th> <th>Ratio of FTEs to Constituents</th> </tr> </thead> <tbody> <tr> <td>Prince William County</td> <td>482,204</td> <td>70</td> <td>1 : 6,889</td> </tr> <tr> <td>Fairfax County</td> <td>1,150,309</td> <td>297</td> <td>1 : 3,873</td> </tr> <tr> <td>Loudoun County</td> <td>420,959</td> <td>84</td> <td>1 : 5,011</td> </tr> <tr> <td>Arlington County</td> <td>238,643</td> <td>63</td> <td>1 : 3,788</td> </tr> </tbody> </table> <p>* According to U.S. Census Data as of April 1, 2020</p> <p>** According to County Budget Documents. Rounded-up. Note: Other counties' Tax Administration teams may be part of larger departments</p>	County	Est Population*	FY22 FTEs**	Ratio of FTEs to Constituents	Prince William County	482,204	70	1 : 6,889	Fairfax County	1,150,309	297	1 : 3,873	Loudoun County	420,959	84	1 : 5,011	Arlington County	238,643	63	1 : 3,788
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	<p>It should be noted that Tax Administration has various vacancies which continue to impact operations.</p>																					
	<p>Effective April 2021, the Tax Administration function began collecting customer service call data across all call centers using Dextr. The online customer service and performance dashboard is used to track phone calls. Between April 2021 and December 2021, the Dextr program captured 69,190 total calls handled by the Tax Administration Division's customer service team. Agents were unavailable to answer 3,345 of these calls. While the average wait time was 4 minutes and 35 seconds for all calls answered, the maximum hold time experienced by taxpayers was 37 minutes and 40 seconds.</p>																					



## OBSERVATIONS MATRIX – CONTINUED

Observation	5. Customer Service – Continued
	<p>In a 2019 study conducted by Arise, a leading U.S. customer service management provider, two-thirds of individuals were willing to wait only 2 minutes or less before hanging up, and 13% of respondents indicated that they were unwilling to hold for any amount of time. Longer hold times directly impact customer satisfaction levels and brand image and may leave taxpayers with unanswered questions.</p> <p>Furthermore, in FY22, the County introduced a new Vehicle Compliance program, which offers residents a channel to anonymously communicate with Tax Administration in reporting vehicle owners that do not display Virginia license plates but may be liable for personal property taxes. The anonymous communication is routed through the customer service office. As a result, the volume of customer service communications is likely to further restrict the availability of customer service team members, potentially further increasing average wait and hold times.</p> <p>Through discussion with Tax Administration management, we noted that the Division is unable to dedicate resources to employee training as a result of the aforementioned staffing challenges. As a result, the Division relies on-the-job training to familiarize new customer service agents with complex Tax Administration policies, operating procedures, deadlines, exemptions, etc., increasing the likelihood that information provided to taxpayers may be delayed, incorrect, or inefficiently disseminated to taxpayers.</p>
<b>Recommendation</b>	<p>The County should consider the impact their staffing ratio may be having on customer service delivery. Furthermore, we recommend that Tax administration identify a formal training program for both new and established customer service agents. Training should be provided on a recurring basis to enhance the ability of each agent to efficiently and effectively address taxpayer questions or concerns.</p>
<b>Management Action Plan</b>	<p><b>Response:</b> Tax Administration is aware of the challenges that being short-staffed presents for citizens as well as employees and accepts the recommendations. Tax Administration has already implemented a training plan for customer service staff, which includes opening the offices one hour late once a week to dedicate to training and development. In addition, the Finance Department has established a five-year staffing request for consideration during the annual budget process.</p> <p><b>Responsible Party:</b> Assistant Director of Finance for Tax Administration</p> <p><b>Estimated Completion Date:</b> Ongoing</p>





## OBSERVATIONS MATRIX – CONTINUED

Observation	6. Monitoring of Customer Service KPIs
<p><b>Low</b></p>	<p>Beginning in June 2021, the Tax Administration Division began collecting customer service data across all call centers. The intention of collecting this data was to assist the Tax Administration Division in tracking key performance indicators (“KPIs”). While the data collected provides great insight into operational performance, no designated individual is responsible for monitoring KPI’s or reporting trends. As a result, the data is not being formally utilized in any decision making, analysis, or benchmarking initiatives.</p> <p>We noted that the data currently tracked by Tax Administration is primarily focused on:</p> <ul style="list-style-type: none"> <li>• Calls received by employee</li> <li>• Average customer answer rate</li> <li>• Handle time</li> <li>• Agent idle time</li> </ul> <p>The call data retained does not differentiate between the types of calls received (paying bills over the phone, general question and answer, website assistance, etc.) and does not track the customer’s initial issue, customer notes, or issue resolution. The County has implemented a new system, Salesforce, in January 2022, to track customer interactions via e-mail, but data could not yet be obtained during our audit period. While the County has made significant efforts to identify relevant performance data, the data stored is not being formally tracked or reported by a designated individual on a formal basis to make strategic decision.</p> <p>Monitoring KPI data is a critical exercise for any organization; it allows leaders to identify potential issues, positive trends, workload distribution by FTE, efficiencies, and areas for improvement. The County may not be capable of timely identifying negative trends impacting management objectives without formally assigning data ownership, creating ongoing evaluation processes, and defining metrics to benchmark against.</p>
<p><b>Recommendation</b></p>	<p>We recommend the Tax Administration Division continue to enhance their processes for monitoring KPI’s by formally assigning responsibilities for monitoring and reporting to a designated individual. These responsibilities may include, but are not limited to, the following:</p> <ul style="list-style-type: none"> <li>• Identifying metrics to benchmark against.</li> <li>• Periodically reviewing data for potential trends and detection of issues.</li> <li>• Formally reporting to County leadership on a defined basis.</li> <li>• Periodically reviewing and, if needed, proposing revisions to the <i>Customer Service and Collections Manual</i>.</li> </ul>
<p><b>Management Action Plan</b></p>	<p><b>Response:</b> Tax Administration acknowledges the need for KPIs monitoring and accepts the recommendations.</p> <p><b>Responsible Party:</b> Customer Attention Manager and Assistant Director of Finance for Tax Administration</p> <p><b>Estimated Completion Date:</b> Ongoing</p>



## OBSERVATIONS MATRIX – CONTINUED

Observation	7. County Website
Low	<p>As part of our review, we benchmarked the Prince William County Tax Administration website against five (5) other counties in the geographical area. We also reviewed frequently asked taxpayer questions to identify areas in which customers may benefit from website enhancements. While we noted several areas in which the PWC website included valuable information that comparable counties did not, we also noted several areas of potential website enhancements that should be considered. While key information is listed on various landing pages to answer frequently asked taxpayer questions, the following topics are not readily identifiable or accessible:</p> <ul style="list-style-type: none"> <li>• Future due dates for each tax type</li> <li>• Information regarding available tax relief programs</li> <li>• Instructions and requirements regarding vehicle sales and repossessions</li> <li>• Instructions and requirements regarding changes of address (both within state and outside of state)</li> </ul> <p>We also noted that there is currently no method for PWC to solicit feedback from taxpayers regarding the website’s ease-of-use, relevancy, and accessibility of information.</p> <p>The Tax Administration website serves as a valuable source of information for taxpayers. Providing relevant and easily accessible information enhances the taxpayer’s experience and may lower the level of effort required from customer service agents.</p>
Recommendation	<p>Tax Administration should consider making the aforementioned website content readily available to enhance the taxpayer’s ability to address questions on their own and reduce potential call volume at the customer service center. Tax Administration should also consider implementing an online survey as a means of gathering taxpayer feedback and enhancing the customer experience.</p>
Management Action Plan	<p><b>Response:</b> Tax Administration has already started working on revamping and enhancing the website. Many improvements have been made in the past couple of months and will continue to occur in the upcoming months.</p> <p><b>Responsible Party:</b> Customer Attention Manager and Assistant Director of Finance for Tax Administration</p> <p><b>Estimated Completion Date:</b> December 31, 2022</p>



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