WISE COUNTY TAX OFFICE

SSAE18 – SOC 1 Type II
Report on Wise County Tax Office's Description of Its System and the Suitability of the Design and Operating Effectiveness of Controls

For the Period April 1, 2019 through August 31, 2019

WISE COUNTY TAX OFFICE

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Section I
Independent Service Auditor's Report

SNOWGARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

Independent Service Auditor's Report on Wise County Tax Office's Description of Its System and the Suitability Of the Design and Operating Effectiveness of Controls

To the Wise County Tax Assessor/Collector
Decatur, Texas

Scope

We have examined Wise County Tax Office's description of its system for the billing of taxes, penalties, and interest; payment processing; disbursement of collections; safeguarding of collections; and maintenance of taxes receivable throughout the period April 1, 2019 to August 31, 2019 (description) and the suitability of the design and operating effectiveness of the controls included in the description to achieve the related control objectives stated in the description, based on the criteria identified in the "Assertion of the Management of Wise County Tax Office" (assertion). The controls and control objectives included in the description are those that management of the Wise County Tax Office (Tax Office) believes are likely to be relevant to user entities' internal control over financial reporting, and the description does not include those aspects of the system that are not likely to be relevant to user entities' internal control over financial reporting. The description indicates that certain control objectives specified in the description can be achieved only if complementary user entity controls assumed in the design of the Tax Office's controls are suitably designed and operating effectively, along with related controls at the Tax Office. Our examination did not extend to such complementary user entity controls, and we have not evaluated the suitability of the design or operating effectiveness of such complementary user entity controls.

The Tax Office uses subservice organizations for database management and other information system support. The description in Section III includes only the control objectives and related controls of the Tax Office and excludes the control objectives and related controls of the subservice organizations. The description also indicates that certain control objectives specified by the Tax Office can be achieved only if complementary subservice organization controls assumed in the design of the Tax Office's controls are suitably designed and operating effectively, along with the related controls at the Tax Office. Our examination did not extend to controls of the subservice organizations and we have not evaluated the suitability of the design or operating effectiveness of such complementary subservice organization controls.

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Service organization's responsibilities

In Section II of this report, the Tax Office has provided an assertion about the fairness of the presentation of the description and suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description. The Tax Office is responsible for preparing the description and assertion, including the completeness, accuracy, and method of presentation of the description and assertion, providing the services covered by the description, specifying the control objectives and stating them in the description, identifying the risks that threaten the achievement of the control objectives, selecting the criteria stated in the assertion, and designing, implementing, and documenting controls that are suitably designed and operating effectively to achieve the related control objectives stated in the description.

Service auditor's responsibilities

Our responsibility is to express an opinion on the fairness of the presentation of the description and on the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description, based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether, in all material respects, based on the criteria in management's assertion, the description is fairly presented and the controls were suitably designed and operating effectively to achieve the related control objectives stated in the description throughout the period April 1, 2019 to August 31, 2019. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

An examination of a description of a service organization's system and the suitability of the design and operating effectiveness of controls involves-

- performing procedures to obtain evidence about the fairness of the presentation of the description and the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description, based on the criteria in management's assertion.
- assessing the risks that the description is not fairly presented and that the controls were not suitably designed or operating effectively to achieve the related control objectives stated in the description.
- testing the operating effectiveness of those controls that management considers necessary to provide reasonable assurance that the related control objectives stated in the description were achieved.
- evaluating the overall presentation of the description, suitability of the control objectives stated in the description, and suitability of the criteria specified by the service organization in its assertion.

Inherent limitations

The description is prepared to meet the common needs of a broad range of user entities and their auditors who audit and report on user entities' financial statements and may not, therefore, include every aspect of the system that each individual user entity may consider important in its own particular environment. Because of their nature, controls at a service

organization may not prevent, or detect and correct, all misstatements in processing or reporting transactions. Also, the projection to the future of any evaluation of the fairness of the presentation of the description, or conclusions about the suitability of the design or operating effectiveness of the controls to achieve the related control objectives, is subject to the risk that controls at a service organization may become ineffective.

Description of tests of controls

The specific controls tested and the nature, timing, and results of those tests are listed in Section IV of this report.

Opinion

In our opinion, in all material respects, based on the criteria described in the Tax Office's assertion in Section II of this report:

a. The description fairly presents the system that was designed and implemented throughout the period April 1, 2019 to August 31, 2019.

b. The controls related to the control objectives stated in the description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period April 1, 2019 to August 31, 2019 and subservice organizations and user entities applied the complementary controls assumed in the design of the Tax Office's controls throughout the period April 1, 2019 to August 31, 2019.

c. The controls operated effectively to provide reasonable assurance that the control objectives stated in the description were achieved throughout the period April 1, 2019 to August 31, 2019 if complementary subservice organizations' and user entity controls assumed in the design of the Tax Office's controls operated effectively throughout the period April 1, 2019 to August 31, 2019.

Restricted use

This report, including the description of tests of controls and results thereof in Section IV of this report, is intended solely for the information and use of the Tax Office, user entities of the Tax Office's system during some or all of the period April 1, 2019 to August 31, 2019, and their auditors who audit and report on such user entities' financial statements or internal controls over financial reporting and have a sufficient understanding to consider it, along with other information, including information about controls implemented by user entities themselves, when assessing the risks of material misstatement of user entities' financial statements. This report is not intended to be, and should not be, used by anyone other than these specified parties.

Snow Garrett Williams

Snow Garrett Williams
December 9, 2019

Section II
Assertion of the Management of
Wise County Tax Office

WISE COUNTY, TEXAS
P.O. Box 899
Decatur, TX 76234

Assertion of the Management of the Wise County Tax Office

We have prepared the description of the Wise County Tax Office's system entitled "Wise County Tax Office's Description of Its System," for the billing of taxes, penalties, and interest; payment processing; disbursement of collections; safeguarding of collections; and maintenance of taxes receivable throughout the period April 1, 2019 to August 31, 2019 (description) for user entities of the system during some or all of the period April 1, 2019 to August 31, 2019, and their auditors who audit and report on such user entities' financial statements or internal control over financial statement reporting and have a sufficient understanding to consider it, along with other information, including information about controls implemented by subservice organizations and user entities of the system themselves when assessing the risks of material misstatement of user entities' financial statements.

The Wise County Tax Office (Tax Office) uses subservice organizations for database management and other information system support. The description includes only the control objectives and related controls of the Tax Office and excludes the control objectives and related controls of the subservice organizations. The description also indicates that certain control objectives specified in the description can be achieved only if complementary subservice organizations' controls assumed in the design of our controls are suitably designed and operating effectively, along with the related controls. The description does not extend to controls of the subservice organizations.

The description indicates that certain control objectives specified in the description can be achieved only if complementary user entity controls assumed in the design of the Tax Office's controls are suitably designed and operating effectively, along with related controls at the service organization. The description does not extend to controls of the user entities.

We confirm, to the best of our knowledge and belief, that:

1) The description fairly presents the system made available to user entities of the system during some or all of the period April 1, 2019 to August 31, 2019 for the billing of taxes, penalties, and interest; payment processing; disbursement of collections; safeguarding of collections; and maintenance of taxes receivable as it relates to controls that are likely to be relevant to user entities' internal control over financial reporting. The criteria we used in making this assertion were that the description:
    a) Presents how the system made available to user entities of the system was designed and implemented to process relevant user entity transactions, including, if applicable:
        i) The types of services provided, including, as appropriate, the classes of transactions processed.

ii) The procedures, within both automated and manual systems, by which those services are provided, including, as appropriate, procedures by which transactions are initiated, authorized, recorded, processed, corrected as necessary, and transferred to the reports and other information prepared for user entities of the system.

iii) The information used in the performance of the procedures including, if applicable, related accounting records, whether electronic or manual, and supporting information involved in initiating, authorizing, recording, processing, and reporting transactions; this includes the correction of incorrect information and how information is transferred to the reports and other information prepared for user entities.

iv) How the system captures and addresses significant events and conditions other than transactions.

v) The process used to prepare reports and other information for user entities.

vi) The services performed by subservice organizations, if any, including whether the carve-out method or the inclusive method has been used in relation to them.

vii) The specified control objectives and controls designed to achieve those objectives including, as applicable, complementary user entity controls and complementary subservice organizations' controls assumed in the design of the controls.

viii) Other aspects of our control environment, risk assessment process, information and communications (including the related business processes), control activities, and monitoring activities that are relevant to the services provided.

b) Includes relevant details of changes to the system during the period covered by the description.

c) Does not omit or distort information relevant to the system, while acknowledging that the description is prepared to meet the common needs of a broad range of user entities of the system and their user auditors and may not, therefore, include every aspect of the system that each individual user entity of the system and its auditor may consider important in its own particular environment.

2) The controls related to the control objectives stated in the description were suitably designed and operating effectively throughout the period April 1, 2019 to August 31, 2019 to achieve those control objectives if subservice organizations and user entities applied the complementary controls assumed in the design of the Tax Office's controls throughout the period April 1, 2019 to August 31, 2019. The criteria we used in making this assertion were that:

a) The risks that threaten the achievement of the control objectives stated in the description have been identified by management.

b) The controls identified in the description would, if operating effectively, provide reasonable assurance that those risks would not prevent the control objectives stated in the description from being achieved.

c) The controls were consistently applied as designed, including whether manual controls were applied by individuals who have the appropriate competence and authority.

Signature: Linda S. Shaw

Title: Tax Assessor/Collector

Section III
Description of the System Provided by
Wise County Tax Office

Wise County Tax Office
Description of Its System

Tax Office and Operations

Overview of Tax Office Operations

Beginning in April 2019, the Wise County Tax Office (Tax Office) contracted with various taxing entities in the County to bill and collect taxes on their behalf based upon appraised values received from the Wise County Appraisal District. The Tax Office has three locations for tax collections within the County: Boyd, Texas; Bridgeport, Texas; and Decatur, Texas. The primary tax collection office is located in Decatur, Texas.

Software Used in the Collection of Property Taxes

The Tax Office uses NET Data Property Tax Billing and Collection computer software, which is developed and maintained by NET Data Corporation based out of Sulphur Springs, Texas, to track billings and collections of property taxes for each tax account. NET Data Corporation, a subservice organization, is presented in this system description using the carve-out method.

Elements of the Control Environment, Risk Assessment, Communication, and Monitoring

Control Environment

The Tax Office is included in the agency funds of Wise County, Texas and is governed by the Wise County Commissioners Court (CC). The CC is established under the state statutes established for Counties. The CC meets bi-weekly to review financial and operating results and conduct other business as appropriate for the County, including the Tax Office. The County Auditor performs an annual review of the Tax Assessor/Collector.

Senior management consists of the Tax Assessor/Collector and the Chief Deputy. The Tax Assessor/Collector is an elected official of Wise County, Texas. The Tax Office has one department, the collections department. The accounting function is performed by the Chief Deputy, who reports directly to the Tax Assessor/Collector. The Chief Deputy is responsible for reviewing receipts of collections, deposits made from collections, as well as making distributions to contracting taxing entities, and issuing refunds to taxpayers.

The Tax Office operates as a department of Wise County, Texas. The County maintains a very detailed personnel policy manual, which covers employee orientation, training, performance reviews, conflict of interest, standards of conduct and code of ethics. The manual is reviewed and updated regularly. New employee orientation includes receiving a copy of the personnel policy manual, a review of the organizational structure, and County policies and procedures. The County uses job descriptions to outline the duties and responsibilities of each position.

Risk Assessment

The Tax Office seeks to mitigate financial and operational risks through early identification, process identification, and continuous oversight. Management has established mechanisms to help identify risks and the evaluation of risks are a part of the planning process. Risks related to the ability of an employee to initiate and process unauthorized transactions are identified.

Communication

The Tax Office has implemented several methods of communication designed to ensure all employees understand their roles, responsibilities, and obligations. These methods include training, staff meetings, e-mail messages, policies and procedures manuals, and job descriptions. The Tax Office's overall goal and the key elements of the Tax Office's strategic plan are communicated to employees, including elements of internal controls.

The County's personnel policy manual contains standards of conduct and a code of ethics that promotes internal control.

Monitoring

The County Tax Assessor/Collector, Office Manager, and Chief Deputy are involved in the day-to-day operations of the Tax Office. They exercise reasonable control over operations in order to avoid crisis conditions in operations or accounting. Work spaces are well organized. The County Tax Assessor/Collector, Office Manager, and Chief Deputy are actively involved in designing and approving changes in internal controls. During the year, management monitors controls and compliance with laws.

The Tax Office receives a separate annual external audit of its delinquent tax receivable schedules, and Wise County receives an annual external audit for all funds. Internal control findings identified during the external audits are addressed by senior management in a timely fashion, and management understands the effect of financial reporting on the Tax Office.

Description of Business Process Controls

The Tax Office's control objectives and related controls are included in "Section IV – Information Provided by Independent Service Auditor" to eliminate the redundancy that would result from listing them in both Sections III and IV. Although the control objectives and related controls are included in Section IV, they are an integral part of the Tax Office's description of the system.

Billing of Taxes, Penalties, and Interest

The Wise County Appraisal District (WCAD) appraises taxable values within Wise County, Texas. When the tax rolls are certified and approved by WCAD, the rolls are sent directly to NET Data to be converted and reconciled to the Tax Office's computerized tax data. NET Data imports all tax information received from WCAD.

The Tax Office sends portable document format (PDF) batches of property tax statements to a third-party vendor that prints and mails out the statements. Prior to sending the files out, the Tax Office samples billing statements that will be printed and mailed. The Tax Office verifies that the statements include all pertinent information, such as approved exemptions, tax rates, etc. The Tax Office recalculates the tax levy, including any frozen levy, to test the accuracy of the information that is provided to NET Data, and the computer calculation of the tax levy and related penalties and interest. The Tax Office reconciles the batch total to the beginning tax levy.

All adjustments to property values are processed by WCAD, and a Change Authorization Form is forwarded to the Tax Office. When the Tax Office receives a Change Authorization Form, the form is stamped with the date received; the information is entered into the tax office system; signed and dated upon entry; and filed in numerical order. Corrected tax statements are produced and mailed to taxpayers, and any necessary refunds are forwarded to the Chief Deputy to prepare checks.

Daily, NET Data Corporation backs up the data in the NET Data application off-site. The County's IT Department also creates a local back up of all network computers periodically and stores the back up in a cloud database.

Payment Processing

Payments received through the mail and at the Tax Office in Decatur, Texas are manually posted to NET Data daily. Posting payments to accounts is restricted to the collection clerks through assigned functions within the NET Data application and the requirement of passwords. Collection clerks access the account by taxpayer name, address, account number, or statement number. During payment posting, the collection clerk records the amount and method of payment in the NET Data application.

At the end of the day, each collection clerk prints the Statement Number List of Payments Report from NET Data and balances their drawer against the report. The Chief Deputy prints the Daily Report from NET Data and agrees the daily receipts collected to each clerk's Statement Number List of Payments Report. The Chief Deputy then prepares the bank deposits. Either the Tax Assessor/Collector or the Office Manager takes the bank deposits to the bank on the following business day.

Payment Processing (Continued)

The following business day, the Collections Supervisor scans checks from the day before in batches using a Digital Check Teller Scan TS 240 check scanner. The batches are then electronically deposited into the Tax Office bank account. The Collections Supervisor agrees the batch total to the Batch Balance Report before completing the electronic deposit. Scanned checks are kept in the safe for three months, at which time they are shredded.

Payments are also made through the County's website on a Certified Payment link developed and maintained by NET Data Corporation. Periodically, the Chief Deputy downloads the Certified Payment Report and obtains the Account Activity Report for the Tax Office bank account. The Chief Deputy has restricted use to view only and print reports from NET Data. The Chief Deputy agrees the total of each batch on the Certified Payment Report to the deposit on the bank's Account Activity Report. If the batch has been deposited into the Tax Office account, the Certified Payment Report is given to the Collections Clerk, who then posts the payments to the individual accounts through a payment processing program in NET Data. The Collections Clerk notes on the Certified Payment Report any discrepancies, such as small over or under payments, or that the payment was already made and a credit card refund needs to be processed. The Collections Clerk returns the Certified Payment Report to the Chief Deputy. The Collections Clerk reconciles the Batch Balance total to the Certified Payment Report and closes the batch. The Chief Deputy then processes any credit card refunds required and records the credit card deposits in the NET Data program. The Chief Deputy tracks all credit card activities in a spreadsheet and compares the monthly activity to a Monthly Batch Report from NET Data.

Before processing disbursements, the Chief Deputy agrees the deposit slips to the Deposit Report for the same period and researches any discrepancies. All documentation is filed and retained for audit and research purposes.

Disbursement of Collections

On a daily basis, the Chief Deputy prints out the Daily Collections Report, the Daily Report, and the Distribution and Refunds Payable Edit Report from NET Data for collections that will be distributed to the taxing entities. The Chief Deputy obtains the Daily Collections reports from the clerks in the Collections department and reconciles the clerks' reports to the printed Daily Report for collections.

After the daily collections are balanced, disbursements are processed and sent by ACH from the Tax Office to all contracting taxing entities. Refunds to taxpayers are prepared daily but are held for approximately three weeks to ensure that funds have cleared the bank. The Chief Deputy runs the Distribution and Refunds Payable Report and the Accounts Payable Balancing Report from NET Data for all taxing entities and reconciles them to the Daily Reports for the same period.

Disbursement of Collections (Continued)

The Distribution and Refunds Payable Report summarizes the collections by current tax, current penalty, delinquent tax, delinquent penalties and interest, and attorney fees. This report also summarizes collections by year. The Chief Deputy uses information from the Accounts Payable Balancing Report to enter into spreadsheets that calculate the amount of maintenance and operations taxes and interest and sinking taxes for each entity that had collections for the period. All taxing entities receive distributions through automated clearing house (ACH) bank transfers. The Chief Deputy posts the ACH transfer amounts per taxing entity through the bank's website based on the information from the Distribution and Refunds Payable Edit Report. The Chief Deputy and one Collections Clerk are authorized to approve ACH transfers. The online banking module for ACH disbursements is restricted to the aforementioned users and requires passwords. After the ACH has been transferred, the Chief Deputy electronically sends a distribution spreadsheet to TexPool. TexPool then distributes the funds according to the information provided. The Chief Deputy electronically sends the applicable Distribution Summary Report and Payee Report to each taxing entity for the distribution period. All documentation is filed and retained for audit and research purposes.

Safeguarding of Collections

To protect the collections, the Tax Office maintains a Public Employees Blanket Bond on all employees who handle monies for $10,000 per employee; a tax assessor / collector state bond for $100,000; and a tax assessor / collector county bond for $100,000. Also, the Tax Office and the Wise County Treasurer monitor the adequacy of Federal Deposit Insurance Corporation (FDIC) coverage and pledged securities by the depository bank. The Tax Office bank accounts are included with all of the Wise County bank accounts for collateralization purposes.

The Tax Office makes daily deposits to the bank at the beginning of the day. The Chief Deputy reconciles the deposit slips and deposit confirmations to the NET Data Daily Reports. The Chief Deputy prepares timely reconciliations of the monthly Tax Office bank statements. The bank reconciliations are sent to the Wise County Audit Office for review by the County's Internal Auditors.

Maintenance of Taxes Receivable

The Tax Office maintains current computerized listings in NET Data of taxes, penalties, and interest receivable by tax account. These detail records maintain assessment, adjustment, and payment history by tax account. The Percent of Collections Tax Roll Report generated by NET Data is provided to the taxing entities. Annually, the Tax Office calculates the tax levies. The Tax Office reconciles the collections and disbursements.

General Computer Controls

Computer Operations

The network architecture is configured to minimize the risk of unauthorized network access. Firewalls are implemented in the Tax Office's network architecture and activity is reviewed through logs and/or firewall console. The Tax Office's programs, data and other information resources are protected from viruses. The Wise County Director of IT oversees the installation and the automated update process of the virus protection software by Microsoft Essentials on all Tax Office computers.

Logical Security

NET Data has administrative rights for the NET Data application. User access is based on job functions and responsibilities. Changes, additions, or deletions of user account access to the NET Data application are communicated to NET Data from the County Tax Assessor/Collector.

User login and passwords are required to access the NET Data application. Users are verbally instructed to keep their password(s) confidential.

Backup Procedures

NET Data Corporation backs up the Tax Office's data offsite daily.

Physical Security

The Tax Office's building has a main entrance through a central lobby. Visitors enter the building into a waiting area and are screened and escorted by Tax Office personnel during their visit. The employee entrance to the Tax Office's work area is through automatically locking doors that require an individual access code to enter. When an employee is terminated, the employee's building access code is disabled as part of the exit process.

User Control Consideration

The Tax Office's system of internal controls was designed with the assumption that certain controls would be implemented by user entities. In certain situations, the application of specific controls at user entities is necessary to achieve certain objectives included in this report. The following user internal control considerations presented should not be regarded as a comprehensive list of all controls that should be employed by user entities. There may be additional controls that would be appropriate for the processing of user transactions that are not identified in this report.

- Controls should be established to ensure that the tax information supplied by WCAD to the Tax Office is accurate, complete, and approved by the contracting taxing entity's governing body.

- Controls should be established to ensure that all required output is received from the Tax Office and reviewed and/or reconciled for completeness and accuracy.

Subservice Organization Control Consideration

The Tax Office's system of internal controls was designed with the assumption that certain controls would be implemented by subservice organizations. In certain situations, the application of specific controls at subservice organizations is necessary to achieve certain objectives included in this report. The following subservice organization internal control considerations presented should not be regarded as a comprehensive list of all controls that should be employed by subservice organizations. There may be additional controls that would be appropriate for the processing of subservice organization transactions that are not identified in this report.

- Controls provide reasonable assurance that changes to application programs and related data management systems are authorized, tested, documented, approved, and implemented to result in the complete, accurate, and timely processing and reporting of transactions and balances.

Section IV
Information Provided by Independent Service Auditor

SSAE 18 Overview

The Statement on Standards for Attestation Engagements No. 18, *Attestation Standards: Clarification and Recodification,* (SSAE 18) is an attestation standard developed by the American Institute of Certified Public Accountants (AICPA). SSAE 18 provides guidance that allows a service organization such as the Wise County Tax Office (Tax Office) to disclose their control activities and processes to its contracting taxing entities (user organizations) and their auditors (user auditor). The service organization employs an independent accounting and auditing firm (service auditor) to examine its description including control objectives and control activities. The service auditor issues a Service Auditor's Report to the service organization at the end of the examination that includes the service auditor's opinion.

Purpose and Objectives of the Report

This report on Wise County Tax Office's Description of its System and the Suitability of the Design and Operating Effectiveness of Controls is intended to provide users of the Tax Office's activities with information about controls at the Tax Office that may affect the processing of user entities' transactions and to provide users with information about the operating effectiveness of the controls that were tested. This report, when combined with an understanding and assessment of the internal controls at user entities, is intended to assist the user auditor in (1) planning the audit of the user's financial statements and in (2) assessing control risk for assertions in the user's financial statements that may be affected by controls at the Tax Office.

The Tax Office provided an assertion and description of its system included in Sections II and III of this report. Only the key controls identified by the Tax Office that support the control objectives have been identified in this section.

Our examination was restricted to the description of the system, control objectives, and the related control procedures specified in Section III by the Tax Office's management and was not extended to procedures described elsewhere in this report but not listed, or to procedures that may be in effect at user entities. The examination was conducted in accordance with SSAE 18 (SOC 1) of the AICPA. It is each user auditor's responsibility to evaluate this information in relation to the controls in place at each user entity. If certain complementary user entity controls are not in place at the user entity organization, the Tax Office's controls may not compensate for such weaknesses.

The description of the system and control objectives is the responsibility of the Tax Office's management. Our responsibility is to express an opinion about whether:

1) The description fairly presents the system that was designed and implemented throughout the period April 1, 2019 to August 31, 2019.
2) The controls related to the control objectives stated in the description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period April 1, 2019 to August 31, 2019, and subservice organizations and user entities applied the complementary controls assumed in the design of the Tax Office's controls throughout the period April 1, 2019 to August 31, 2019.

Purpose and Objectives of the Report (continued)

3) The controls operated effectively to provide reasonable assurance that the control objectives stated in the description were achieved throughout the period April 1, 2019 to August 31, 2019 and complementary subservice organizations and user entity controls assumed in the design of the Tax Office's controls operated effectively throughout the period April 1, 2019 to August 31, 2019.

Tests of Operating Effectiveness

Our tests of the operational effectiveness of controls were designed to cover a representative number of transactions throughout the period of April 1, 2019 to August 31, 2019, for each of the controls, which are designed to achieve the specific control objectives. In selecting particular tests of the operational effectiveness of controls, we considered (a) the nature of the items being tested; (b) the types of available evidential matter; (c) the nature of the audit objectives to be achieved; (d) the assessed level of control risk; and (e) the expected efficiency and effectiveness of the test.

Our examination included interviews with key personnel, reviews of available documentation, and observation and inspection of certain controls surrounding and provided by the Tax Office's system. Our examinations were designed only to clarify the understanding of the information contained in the description. In addition, we applied tests to specific controls to obtain evidence about their effectiveness in meeting the related control objectives, described in the Control Objective Matrices of this section, throughout the period April 1, 2019 to August 31, 2019.

Wise County Tax Office
Control Objective Matrices

Billing of Taxes, Penalties, and Interest

Control Objective 1: Controls provide reasonable assurance that the calculation of ad valorem taxes and billing of taxes, penalties, and interest is accurate and complete.

	PROVIDED BY THE TAX OFFICE	PROVIDED BY SERVICE AUDITOR	
Ref.	**Control Activity**	**Test Procedures**	**Test Results**
1.1	Reviews all tax rates used to calculate tax levies and agrees the rates to the entity approved rates.	Inquired of the Tax Assessor/Collector and Chief Deputy. Inspected the tax rate spreadsheet for the applicable tax year and noted tax rates were reviewed.	Tax Office personnel verbally indicated that tax rates are being reviewed and approved; however, there were no signatures on the tax rate spreadsheet indicating review and approval.
1.2	Recalculates the tax levy to test the accuracy of the information input into the NET Data application and the computer calculation of the tax levy and related penalties and interest.	Inquired of the Tax Assessor/Collector and Chief Deputy that they review billing statements on an annual basis, including recalculating the tax levy.	No relevant exceptions noted.
1.3	Reviews billing statements for accuracy.	Inquired of the Tax Assessor/Collector and Chief Deputy that they review billing statements on an annual basis.	No relevant exceptions noted.
1.4	Computer software is backed up daily.	Inquired of the Tax Assessor/Collector and Chief Deputy. NET Data performs the backup of the system on a daily basis through a cloud storage service.	No relevant exceptions noted.

Payment Processing

Control Objective 2: Controls provide reasonable assurance that ad valorem taxes collected are accurately processed and posted.

	PROVIDED BY THE TAX OFFICE	PROVIDED BY SERVICE AUDITOR	
Ref.	**Control Activity**	**Test Procedures**	**Test Results**
2.1	Posting payments to accounts is restricted through assigned duty functions within NET Data and requires a password to access.	Inquired of the Chief Deputy. Inspected the list of users with access to different modules of the NET Data application and their associated privileges. Observed authentication procedures.	No relevant exceptions noted.
2.2	Reconciles the daily deposit for each collections clerk to the Daily Report from NET Data.	Inquired of the Chief Deputy. Inspected the deposit slips and Daily Reports for a sample of days.	No relevant exceptions noted.
2.3	Reconciles the Certified Payment Report (credit card payments) to the Batch Balance Report for credit card payments.	Inquired of the Chief Deputy. Inspected the reconciliation of the Certified Payments report to the Daily Batch Balance Report for ACH deposits for a sample of days.	No relevant exceptions noted.
2.4	All collection documentation is filed and retained for audit and research purposes.	Inquired of the Chief Deputy. Inspected the filed collection documentation for a sample of days.	No relevant exceptions noted.

Disbursement of Collections

Control Objective 3: Controls provide reasonable assurance that funds collected are disbursed accurately, completely, and securely.

	PROVIDED BY THE TAX OFFICE	PROVIDED BY SERVICE AUDITOR	
Ref.	**Control Activity**	**Test Procedures**	**Test Results**
3.1	Reconciles total collections from the Daily Reports to the Collections Report for the date range being disbursed.	Inquired of the Chief Deputy. Inspected reconciliation of Collections Report to the Daily Report for a sample of disbursements.	No relevant exceptions noted.
3.2	Reconciles total collections to total disbursements.	Inquired of the Chief Deputy. Inspected reconciliation of collections to disbursements for a sample of disbursements.	No relevant exceptions noted.
3.3	Reconciles the Distribution and Refunds Payable Edit Report to the Auditor's Report.	Inquired of the Chief Deputy. Inspected reconciliation of the Distribution and Refunds Payable Edit Report to the Auditor's Report for a sample of disbursements.	No relevant exceptions noted.
3.4	The online banking module for ACH disbursements is restricted to specific users and requires passwords.	Inquired of the Chief Deputy. Inspected the list of users with access to the bank's online application and their associated access privileges.	No relevant exceptions noted.
3.5	Verifies that the ACH transfers agree to the ACH transfer spreadsheet.	Inquired of the Chief Deputy. Inspected the reconciliations of the Distribution and Refunds Payable Edit Report to the Internal Audit Report, and traced the ACH Transfer Report total to the bank statements for a sample of disbursements.	No relevant exceptions noted.
3.6	All disbursement documentation is filed and retained for audit and research purposes.	Inquired of the Chief Deputy. Inspected the disbursement documentation for a sample of disbursements.	No relevant exceptions noted.

Wise County Tax Office
Control Objective Matrices

Safeguarding of Collections

Control Objective 4: Controls provide reasonable assurance that ad valorem taxes collected are kept secure.

	PROVIDED BY THE TAX OFFICE	PROVIDED BY SERVICE AUDITOR	
Ref.	**Control Activity**	**Test Procedures**	**Test Results**
4.1	All employees who handle monies are bonded.	Inspected the insurance bonds of all employees handling monies as well as the Tax Assessor/Collector's bond.	No relevant exceptions noted.
4.2	Cash is taken to the bank the next business day.	Inquired of the Chief Deputy. Sampled and inspected validated deposit slips for the date received as the next business day.	No relevant exceptions noted.
4.3	Checks are scanned for electronic deposit on a daily basis.	Inquired of the Chief Deputy. Sampled and inspected confirmation reports indicating the date submitted as the next business day.	No relevant exceptions noted.
4.4	Daily collections agree to the Collection Clerks' Daily Collections Reports, deposit slips, and the Daily Report.	Inquired of the Chief Deputy. Sampled and inspected reconciliations of the Daily Collections Reports to deposit slips and credit card payment reports.	No relevant exceptions noted.
4.5	The bank account balances are adequately collateralized.	Sampled monthly bank statements and inspected Federal Deposit Insurance Corporation (FDIC) coverage and pledged securities documentation for adequate collateralization of funds maintained at the bank for the County as a whole.	The County was undercollateralized during its highest cash day for one out of the five months tested due to debt proceeds that were received and transferred out of the bank the next day.
4.6	The Tax Office bank accounts are accurately reconciled monthly and reviewed and approved.	Sampled and inspected monthly bank reconciliations for accuracy, timely reconciliation, and review and approval by management.	No relevant exceptions noted.

Maintenance of Taxes Receivable

Control Objective 5: Controls provide reasonable assurance that entity reports are accurate.

	PROVIDED BY THE TAX OFFICE	PROVIDED BY SERVICE AUDITOR	
Ref.	Control Activity	Test Procedures	Test Results
5.1	Reconciles the beginning balances to the prior month's ending balances on the monthly Percent of Collections Tax Roll Reports.	Inquired of the Chief Deputy. Inspected reconciliation of beginning balances to prior month's ending balance.	No relevant exceptions noted.
5.2	Reconciles collections on the year-to-date Auditor's Reports to the disbursements on the Percent of Collections Tax Roll Reports, monthly.	Inquired of the Chief Deputy. Inspected reconciliation of collections to disbursements for a sample of months.	No relevant exceptions noted.

General Information Technology

Control Objective 6: Controls provide reasonable assurance that the organizational structure provides an adequate segregation of functions so that no person has incompatible duties that would permit the perpetration and concealment of material errors or irregularities.

	PROVIDED BY THE TAX OFFICE	PROVIDED BY SERVICE AUDITOR	
Ref.	Control Activity	Test Procedures	Test Results
6.1	The organizational structure provides segregation of duties between Tax Office personnel.	Inspected the organization chart to ensure appropriate segregation of duties.	No relevant exceptions noted.
6.2	Responsibilities for business operations have been segregated into functional areas in order to enhance controls.	Inspected the organization chart to ensure responsibilities for business operations have been segregated into functional areas.	No relevant exceptions noted.
6.3	Job descriptions are documented for each position and these descriptions are clearly communicated to employees.	Selected a sample of employees and inspected corresponding job description to ensure the County maintains specific job descriptions for each position.	No relevant exceptions noted.
6.4	Job duties and responsibilities are communicated to employees through performance goals.	Selected a sample of employees and inspected personnel files to ensure job duties and responsibilities are communicated as part of their performance goals.	No relevant exceptions noted.

General Information Technology (continued)

Control Objective 7: Controls provide reasonable assurance that security related personnel policies are implemented.

	PROVIDED BY THE TAX OFFICE	PROVIDED BY SERVICE AUDITOR	
Ref.	**Control Activity**	**Test Procedures**	**Test Results**
7.1	A Personnel Policy Manual is provided to all employees which outlines key business practices, policies, and employee responsibilities.	Inspected the Personnel Policy Manual to ensure it outlines key business practices, policies, and employee responsibilities.	No relevant exceptions noted.
7.2	Employees are required to sign a confidentiality agreement indicating they have read and understand all policies included in the Employee Handbook.	Selected a sample of employees and inspected their personnel files to ensure confidentiality agreements were signed indicating they have read and understand all policies.	No relevant exceptions noted.
7.3	New employees participate in an orientation and training program prior to performing their assigned job duties.	Selected a sample of employees hired during the period and discussed orientation and new hire training with them to ensure each new employee completed an orientation and training program prior to performing their assigned job duties.	Was not tested as there were no employees hired during the period.
7.4	A termination checklist is used when employees are terminated in order to ensure logical and physical access are disabled and keys, access cards (badges), and equipment are returned at the time of termination.	Selected a sample of employees terminated during the period and inspected the termination checklists to ensure Tax Office-related property was returned timely. Selected a sample of employees terminated during the period and inspected the NET Data application access list to ensure access for the terminated employees was removed timely.	Was not tested as there were no employees terminated during the period.

General Information Technology (continued)

Control Objective 8: Controls provide reasonable assurance that logical access to programs and data files is restricted to properly authorized and appropriate individuals.

	PROVIDED BY THE TAX OFFICE	PROVIDED BY SERVICE AUDITOR	
Ref.	**Control Activity**	**Test Procedures**	**Test Results**
8.1	Users are granted access to application resources based on their job function and responsibilities.	Selected a sample of NET Data application users and determined that access was granted based on their job responsibility.	No relevant exceptions noted.
8.2	Logical access to the NET Data application is removed for terminated employees.	Selected a sample of employees terminated during the period and inspected the NET Data access list to ensure access for the terminated employees was removed timely.	Was not tested as there were no employees terminated during the period.
8.3	The ability to administer security to the NET Data application is limited to appropriate personnel.	Inspected NET Data access reports to ensure administrator rights are limited to appropriate personnel.	No relevant exceptions noted.
8.4	The network perimeter is protected using a firewall complex and Intrusion Detection System (IDS). IDS security reports are monitored by the County's Information Technology (IT) Department.	Inspected a computer to ensure the firewall is in place to protect it from unauthorized activity.	No relevant exceptions noted.
8.5	User access to the network and NET Data application are reviewed on an annual basis.	Inspected evidence that management reviewed user access rights annually.	User rights are maintained by NET Data, but the Tax Office's management is not reviewing annually.

General Information Technology (continued)

Control Objective 9: Controls provide reasonable assurance that data is backed up and stored offsite.

	PROVIDED BY THE TAX OFFICE	PROVIDED BY SERVICE AUDITOR	
Ref.	**Control Activity**	**Test Procedures**	**Test Results**
9.1	Data is backed up daily.	Inquired of the Tax Assessor/Collector and Chief Deputy. Reviewed NET Data contract and policies and procedures related to daily back-ups.	No relevant exceptions noted.
9.2	Back-up of NET Data software is performed daily and maintained off-site.	Inquired of the Tax Assessor/Collector and Chief Deputy. Reviewed NET Data contract and policies and procedures related to daily back-ups.	No relevant exceptions noted.

Control Objective 10: Controls provide reasonable assurance that physical access to facilities and computer resources is restricted to authorized individuals based on job responsibilities and computer resources are protected from intentional or unintentional loss or impairment.

	PROVIDED BY THE TAX OFFICE	PROVIDED BY SERVICE AUDITOR	
Ref.	**Control Activity**	**Test Procedures**	**Test Results**
10.1	A building security system requiring code is utilized to restrict access to unauthorized individuals.	Observed entry and exit points to the facility to ensure a building security system requiring a code is utilized to restrict access.	No relevant exceptions noted.
10.2	Visitors enter the building into a waiting area and are screened and escorted by client personnel during their visit.	Inquired of the Tax Assessor/Collector and Chief Deputy. Observed visitor access.	Observed that a door leading to a restricted area remained unlocked during business hours.
10.3	Physical access to facilities is granted to authorized personnel.	Inquired of the Tax Assessor/Collector and Director of IT. Reviewed user access list.	No relevant exceptions noted.
10.4	Servers are connected to an Uninterrupted Power Supply (UPS) that will provide approximately 4 hours of power in the event of a power outage.	Inquired of the Director of IT.	No relevant exceptions noted.