WISE COUNTY TAX OFFICE

System and Organization Controls (SOC 1)
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 September 1, 2022
through August 31, 2023

WISE COUNTY TAX OFFICE

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 September 1, 2022 through August 31, 2023

TABLE OF CONTENTS

		PAGE
I.	Independent Service Auditor's Report	2
II.	Management of Wise County Tax Office's Assertion	6
III.	Description of its System Provided by Wise County Tax Office	
	Tax Office and Operations	9
	Relevant Aspects of the Control Environment, Risk Assessment, Information and Communication, and Monitoring	10
	Description of the System	11
	General Computer Controls	14
	Subservice Organization Control Consideration	15
	Complementary User Entity Controls	16
IV.	Information Provided by the Independent Service Auditor	
	Purpose and Objectives of the Report	18
	Tests of Operating Effectiveness and Results of Testing	18
	Control Objective Matrices	19

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 the management of Wise County Tax Office's description of its 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 September 1, 2022 to August 31, 2023 (description) and the suitability of the design and operating effectiveness of controls included in the description to achieve the related control objectives stated in the description, based on the criteria identified in the "Management of Wise County Tax Office's 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 property appraisals, 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 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.

1207 Santa Fe Drive • Weatherford, Texas 76086 • 817-596-9301 • Fax 817-596-9304

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. Management of 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 AICPA. 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 September 1, 2022 to August 31, 2023. 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements related to the examination engagement.

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 the billing of taxes, penalties, and interest; payment processing; disbursement of collections; safeguarding of collections; and maintenance of taxes receivable. 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 management of the Tax Office's assertion –

a. the description fairly presents the system that was designed and implemented throughout the period September 1, 2022 to August 31, 2023.
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 September 1, 2022 to August 31, 2023 and the subservice organizations and user entities applied the complementary controls assumed in the design of the Tax Office's controls throughout the period September 1, 2022 to August 31, 2023.
c. the controls operated effectively to provide reasonable assurance that the control objectives stated in the description were achieved throughout the period September 1, 2022 to August 31, 2023 if the complementary subservice organizations' and user entity controls assumed in the design of the Tax Office's controls operated effectively throughout the period September 1, 2022 to August 31, 2023.

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 September 1, 2022 to August 31, 2023, and their auditors who audit and report on such user entities' financial statements or internal control 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
November 7, 2023

Section II
Management of
Wise County Tax Office's Assertion

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

Management of Wise County Tax Office's Assertion

We have prepared the description of 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 September 1, 2022 to August 31, 2023 (description) for user entities of the system during some or all of the period September 1, 2022 to August 31, 2023, 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.

Wise County Tax Office (Tax Office) uses subservice organizations for property appraisal, 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 organization 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 September 1, 2022 to August 31, 2023 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, including that the carve-out 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) 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 September 1, 2022 to August 31, 2023 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 September 1, 2022 to August 31, 2023. 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: Marte 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

Wise County Tax Office's (Tax Office) operations are conducted at its office located in Decatur, Texas and in two branch locations located in Boyd, Texas and Bridgeport, Texas. The principal operations include the collection of property taxes and the registration and titling of motor vehicles. The Tax Assessor/Collector oversees all tax office operations.

The Tax Office has contracted with various taxing entities in Wise County, Texas to collect taxes on their behalf. Property tax values on which collections are made are provided by Wise County Appraisal District. The Tax Office provides these services for various county-wide taxing entities, independent school districts, and cities, totaling 34 entities. The Tax Office typically remits collections to those entities on a daily basis. Also, as an agent for the Texas Department of Motor Vehicles, the Tax Office registers and titles vehicles annually, which is not part of this examination.

The Tax Office contracts with various service providers to support property tax billing, collection, and accounting processes.

- Wise County Appraisal District (WCAD) is responsible for providing appraised property values, including any applicable exemptions, to the Tax Office. WCAD is considered a subservice organization and is presented in this description using the carve-out method.
- Spindlemedia, Inc. (Spindlemedia) provides tax assessment, collection, and payment software to the Tax Office under various license and service agreements. The Spindlemedia system is an integral part of the Tax Office's operations. The system provides numerous balancing and reconciliation tools, which enable staff to ensure accuracy and dependability. They are considered a subservice organization and are presented in this description using the carve-out method. This system is referred to as the tax collection software application throughout the Description.

Purpose of Control Activities Provided by Management

The description of the Tax Office's system is intended to provide the Tax Office's user entities and the independent auditors of the Tax Office's user entities with information regarding the Tax Office's control activities, which may be considered relevant to the Tax Office's user entities' internal control over financial reporting. The description includes the following processes relevant to the system:

A. Billing of Taxes, Penalties, and Interest
B. Payment Processing
C. Disbursement of Collections
D. Safeguarding of Collections
E. Maintenance of Taxes Receivable
F. General Computer Controls

The control activities were reviewed for the services provided and administered by the Tax Office and the Tax Office's underlying information technology infrastructure. This description does not encompass every aspect of the Tax Office's activities or services provided to its clients, as certain other activities are not subject to the control environment of the Tax Office.

Wise County Tax Office
Description of its System

Relevant Aspects of the Control Environment, Risk Assessment, Information and Communication, and Monitoring

Control Environment

The Tax Office is considered a custodial fund 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 Tax Assessor/Collector and the Chief Deputy are considered senior management of the Tax Office. 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 Tax Office operates under the guidelines and ethical values of the Texas Constitution and the Texas Property Tax Code (the Code). The Code requires that the Tax Assessor/Collector shall successfully complete prescribed courses within 90 days of taking office and complete annual continuing education thereafter. The Tax Assessor-Collectors Association of Texas, along with the Texas Association of Counties, provides educational programs and certifications for property tax professionals. The Tax Office encourages the staff to participate in these and other training opportunities.

The Tax Office strives to acquire and retain qualified people and to instill an attitude of integrity and control awareness.

Human Resources

The Tax Office's commitment to quality is reflected in the policies and practices employed for attracting and retaining employees. The Tax Office's personnel combine technical ability with a strong understanding of business processes and the Texas Property Tax Code.

The Tax Office operates as a department of Wise County, Texas and utilizes the County's personnel manual. The County maintains a very detailed personnel policy manual, which covers employee training, performance reviews, conflict of interest, standards of conduct and code of ethics. The manual is reviewed and updated regularly. 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 as a part of the planning process. Risks related to the ability of an employee to initiate and process unauthorized transactions are identified. Annual audits are conducted for both the Tax Office and the County as a whole. Internal control findings from the audits are addressed by senior management in a timely fashion.

Information and 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, and policies and procedures manuals. 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 Tax Office has also implemented various avenues of communication with taxpayers to ensure that they understand the obligations of the Tax Office in processing their transactions. This includes notices, publications, statements, newspaper articles, and public service announcements.

Monitoring

Senior management supervises and monitors the quality of controls and performances as a part of day-to-day operations. To facilitate this control, various reports that measure the results of operations and performance are generated and reviewed on a daily, weekly, and monthly basis as required. Varying levels of management may review the reports as needed to ensure compliance with performance goals and objectives.

Independent Oversight

Wise County has an internal audit department that provides an independent review function to examine and evaluate the Tax Office's operations. The internal audit department has developed audit programs and transaction reviews which examine critical aspects of the Tax Office's operations, including property tax, motor vehicles, and accounting. Audits and reviews are intended to ensure compliance with applicable laws, as well as Tax Office policies and procedures. The internal audit department performs quarterly audits of the Tax Office. Any issues identified in the internal audit are addressed by senior management of the Tax Office in a timely manner.

Description of the System

The Tax Office collects property taxes and registers and titles motor vehicles. In performing these operations, the Tax Office uses various County-wide departments for account servicing, legal services, and information technology (IT) services. The accompanying description includes only those controls and related control objectives of the collection and payment of property tax and does not include controls and control objectives related to motor vehicle registration and title, account servicing, legal services, or IT services.

The property tax collection services processed through the tax collection software include the services that the Tax Office provides to user entities for the management of the collection and remittance of property taxes. The procedures, control objectives, and control activities described hereafter pertain to property tax collection services processed through the tax collection software at all Tax Office locations, unless specifically stated otherwise.

Wise County Tax Office
Description of its System

Billing of Taxes, Penalties, and Interest

The billing of taxes, penalties, and interest is based upon information provided to the tax collection software system from WCAD. WCAD is responsible for appraising property in Wise County, Texas, certifying the tax rolls, and uploading all relevant information to the tax collection software. This information is used by the Tax Office to complete billings on an annual basis.

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 reconciles the batch total to the beginning tax levy.

Any 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.

Payment Processing

Payments received through the mail and at the Tax Office are manually posted to Spindlemedia daily. Posting payments to accounts is restricted to the collection clerks through assigned functions within Spindlemedia 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 Spindlemedia.

At the end of each business day, each collection clerk balances and closes their batch, reconciling check, cash, and credit card transactions. Once balanced, the clerk closes the batch. The Chief Deputy or Collections Supervisor runs the Deposit Summary Report from Spindlemedia that only includes the closed batches. The Chief Deputy or Collections Supervisor then prepares the bank deposits. Either the Tax Assessor/Collector or the Chief Deputy takes the bank deposits to the bank on the following business day.

The following business day, the Chief Deputy or 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 Chief Deputy agrees the batch total to the Batch Posting Report in Spindlemedia before completing the electronic deposit. Scanned checks are kept in the safe for three months, at which time they are shredded.

Credit card payments made through the County's website are processed by Spindlemedia and automatically applied to the customer's account.

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

Wise County Tax Office
Description of its System

Disbursement of Collections

On a daily basis, the Collections Clerk or Chief Deputy runs and reviews the daily reports that consist of the Deposit Summary Report, the Collection Summary Report, and the Distribution Summary Report before distributing funds to the taxing entities.

After the Batch Posting Report is balanced, the Chief Deputy reconciles the check detail reports to the Batch Posting Report on the Tax Office prepared Daily Report. Once reconciled, disbursements are processed and sent by ACH from the Tax Office to all contracting taxing entities. Refunds are processed as needed and are mailed immediately.

The Check Detail 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 Check Detail Balancing Report to populate spreadsheets that calculate the amount of maintenance and operations taxes and interest and sinking taxes for each entity that has collections for the period. All taxing entities receive distributions through automated clearing house (ACH) bank transfers. The Chief Deputy or Collections Supervisor posts the ACH transfer amounts per taxing entity through the bank's website based on the information from the Check Detail Report. The Chief Deputy and two Collections Clerks 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 or Collections Clerk electronically sends a distribution spreadsheet to TexPool. TexPool then distributes the funds according to the information provided. The Chief Deputy or Collections Clerk electronically sends the applicable Check Detail Report to each taxing entity for the distribution period. All documentation is filed and retained for audit and research purposes.

Safeguarding of Collections

The Tax Office is responsible for safeguarding tax collections from potential loss. 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. Additionally, 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 Wise County's 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 Spindlemedia Deposit Summary Report. The Chief Deputy prepares timely reconciliations of the monthly Tax Office bank statements. The bank reconciliations are sent to the Wise County Auditors Office for review by the County's Internal Auditors.

Maintenance of Taxes Receivable

The Tax Office maintains current computerized listings of taxes, penalties, and interest receivable by tax account in the tax collection software application. These detail records maintain assessment, adjustment, and payment history by tax account. The Percent of Collections Tax Roll Report generated by the tax collection software application is provided to the taxing entities. On a monthly basis, the beginning uncollected balances for each taxing entity are reconciled to the prior month's ending uncollected balance on the Collections Summary Tax Roll Report from the tax collection software application. The collections on the year-to-date Auditor's Report are reconciled to the disbursements on the Collections Summary Tax Roll Report each month.

General Computer Controls

Computer Operations

The Tax Office utilizes Wise County's information technology (IT) department for system operations. The County's IT department is responsible for ensuring applicable safeguards are in place on the Tax Office's operating systems, such as firewalls, antivirus protection, password configurations, and other software updates. 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

New user additions begin with the Chief Deputy entering a ticket with Spindlemedia. Once a ticket is entered, Spindlemedia will activate the user's account and prompt the new user to create unique personal credentials. Those employees with administrative privileges have access to modify or delete user access in the security server application. User access is based on job functions and responsibilities.

Individual user login and passwords are required to access the tax collection software application. Users are verbally instructed to keep their password(s) confidential. Users can use the online function through Microsoft to reset passwords using a mobile verification process.

Physical Security

Tax Office personnel enter the Tax Office's building through automatically locking doors. The doors require individual user access codes, which are granted or removed by the County's IT personnel. The buildings also have a security alarm system that requires individual user access codes. When an employee is terminated, the employee's building access code is disabled as part of the exit process.

Visitors to the Tax Office's building enter through the main entrance into the central lobby. Visitor access is restricted to the central lobby. Any visitor that gains access to the employee's work area is screened and escorted by Tax Office personnel during their visit.

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 Tax Office uses Wise County Appraisal District for the assessment of property values, including any applicable exemptions, penalties, and interest. The Tax Office uses the tax collection software application to monitor collections and disbursements of property taxes. 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.

Wise County Appraisal District

Controls provide reasonable assurance that:

- Property tax information provided to the tax collection software application is accurate and complete.

Spindlemedia, Inc.

Controls provide reasonable assurance that:

- Data is replicated to a disaster recovery site to ensure operations can resume in the event of a service disruption.
- Backed up data is stored off-site and in an encrypted state.
- Infrastructure changes implemented to the production environment are documented, tested, and approved prior to being released.
- Separate development, test, and production environments are used in the change management.
- Access to implement changes in the production environment is restricted to production support personnel who do not have development capabilities.
- Access to the Tax Office's data is restricted to authorized individuals.
- Access permissions are approved when employees and contractors are granted access to the tax collection software application.
- Access is revoked when employees and contractors no longer require access to the tax collection software application.
- Access to perform development functions is restricted to authorized personnel.
- Tax levies provided by WCAD are recalculated, including any frozen levy and any applicable exemptions, penalties, and interest. Discrepancies identified are reviewed and corrected with WCAD's assistance.
- Tax statements are printed accurately and completely, in accordance with signed service agreements.
- Tax statements are mailed timely, in accordance with agreed upon schedules.
- Confidential data used in the processing of tax payments is properly secured and protected.
- Tax payments are processed accurately and timely.
- Payments and refunds are processed only when authorized.

Complementary User Entity Controls

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 entity 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 provide reasonable assurance that:

- Tax rates supplied to WCAD and the Tax Office are accurate and complete.
- Reports or documents outlining calculations and assessments are reviewed timely in accordance with applicable agreements between the Tax Office and user entities.
- Remitted amounts are reviewed for accuracy and any issues are communicated to the Tax Office in a timely manner.
- Changes to bank routing information are communicated to the Tax Office in a timely manner.
- Refunds are reviewed for accuracy and completeness.
- User entities provide employees adequate training for processing transactions within systems used for processing information from the Tax Office.
- Sufficient physical and logical security access to the Tax Office's information is established, monitored, and maintained by the user entity.

Section IV
Information Provided by the Independent Service Auditor

Purpose and Objectives of the Report

This report on the Tax Office's description of its system and suitability of design and operating effectiveness of controls is intended to provide user entities and auditors of user entities with information sufficient to gain an understanding of controls in place over the Tax Office's system. This report, when combined with an understanding and assessment of the internal controls at user entities, is intended to assist auditors of user entities in (1) planning the audit of the user's financial statements and in (2) assessing control risk for assertions in the user entity's financial statements that may be affected by controls at the Tax Office.

To the extent we considered necessary, our procedures included the following:

- Inspection of the Tax Office's organizational structure and segregation of functional responsibilities belonging to personnel;
- Inspection of the Tax Office's operational policies and procedures;
- Inquiry with Tax Office management and key personnel who are responsible for developing, adhering to, and applying controls;
- Observation of personnel in performance of their assigned duties; and
- Inspection of the Tax Office's documents and records to assess compliance with controls.

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 the user entity. The examination was conducted in accordance with the Statement on Standards for Attestation Engagements (SSAE) No. 18, *Reporting on Controls at a Service Organization,* (SOC 1) of the American Institute of Certified Public Accountants. 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.

Tests of Operating Effectiveness and Results of Testing

Our tests of the operating effectiveness of controls were designed to cover a representative number of transactions throughout the period of September 1, 2022 to August 31, 2023, for each of the controls, which are designed to achieve the specific control objectives. In selecting particular tests of the operating 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.

Wise County Tax Office
Control Objective Matrices

Billing of Taxes, Penalties, and Interest

Control Objective 1: Controls provide reasonable assurance that the billing of ad valorem 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	Billing statements are reviewed for accuracy prior to mailing, indicating that approved exemptions, tax rates, etc. are correct.	Inspected the sample billing statements packet and noted that the statements had a reviewer sign-off.	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 Spindlemedia and requires a password to access.	Inspected the list of users with access to different modules of the tax collection software application and their associated privileges. Observed authentication procedures.	No relevant exceptions noted.
2.2	Total collections on the Batch Posting Report are reconciled to bank deposit slips and the Daily Report.	For a sample of days during the period in scope, inspected the reconciliation of total collections on the Batch Posting Report agreed to bank deposit slips and the Daily Report.	No relevant exceptions noted.

Wise County Tax Office
Control Objective Matrices

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	The Batch Posting Report is reconciled to the Check Detail Reports on the Daily Report to ensure total collections agree to total disbursements.	For a sample of days during the period in scope, inspected reconciliations of collections to disbursements and noted that the amounts agreed.	No relevant exceptions noted.
3.2	The online banking module for ACH disbursements is restricted to specific users and requires passwords.	Inspected the list of users with access to the bank's online application and their associated privileges.	No relevant exceptions noted.
3.3	Authorized Tax Office personnel verify that the ACH transfers agree to the Check Detail Report from Spindlemedia.	For a sample of days during the period in scope, inspected the reconciliations of the Check Detail Report to the ACH Transfer Report, noting that the amounts distributed to the taxing entities agreed.	No relevant exceptions noted in reconciling and agreeing amounts distributed to the taxing entities. However, for 5 of the 53 days sampled, there was no indication of reviewer sign off prior to the ACH transfers.

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 collected is taken to the bank on the following business day.	For a sample of days during the period in scope, 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.	For a sample of days during the period in scope, inspected the bank's Desktop Deposit - Confirmation reports indicating the date submitted as the next business day.	No relevant exceptions noted.
4.4	The bank account balances are adequately collateralized.	For a sample of months during the period in scope, inspected monthly bank statements and 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.	No relevant exceptions noted.
4.5	The Tax Office bank accounts are accurately reconciled monthly and the reconciliations are reviewed and approved.	For a sample of months during the period in scope, inspected monthly bank reconciliations for accuracy, timely reconciliation, and review and approval by management.	No relevant exceptions noted.

Wise County Tax Office
Control Objective Matrices

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	The beginning uncollected balances are reconciled to the prior month's ending uncollected balances on the monthly Collections Summary Tax Roll Report from Spindlemedia.	For a sample of months during the period in scope, inspected reconciliation of beginning uncollected balances to prior month's ending uncollected balance.	No relevant exceptions noted.
5.2	The collections on the year-to-date Auditor's Reports are reconciled to the disbursements on the monthly Collections Summary Tax Roll Reports.	For a sample of months during the period in scope, inspected reconciliation of collections to disbursements.	No relevant exceptions noted.

General Information Technology

Control Objective 6: 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**
6.1	Users are granted access to application resources based on their job function and responsibilities.	Reviewed all tax collection software application users and determined that access was granted based on their job responsibility.	No relevant exceptions noted.
6.2	Logical access to the tax collection software application is removed for terminated employees.	Selected a sample of employees terminated during the period and inspected the tax collection software application access list to ensure access for the terminated employees was removed timely.	No relevant exceptions noted with regard to the existence of policies and procedures for removing access to the tax collection software application for terminated employees. We did not test operating effectiveness of this control as there were no employees terminated during the period September 1, 2022 through August 31, 2023.
6.3	The ability to administer security to the tax collection software application is limited to appropriate personnel.	Inspected tax collection software application Master Security Reports to ensure administrator rights are limited to appropriate personnel.	No relevant exceptions noted.
6.4	User access to the network and the tax collection software application are reviewed on an annual basis.	Inspected evidence that management reviewed user access rights annually.	No relevant exceptions noted.

General Information Technology (Continued)

6.5	User access to the system must be authorized in writing by the Tax Assessor-Collector prior to the granting of access to the system.	Selected a sample of Spindlemedia users added during the period and inspected their access request form to ensure access was authorized and granted based on their job responsibility.	No relevant exceptions noted.
6.6	The network operating system has been configured to enforce password parameters to restrict unauthorized logical access.	Inspected settings for the network operating system to ensure password parameters are configured to restrict unauthorized logical access.	No relevant exceptions noted.

Control Objective 7: 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**
7.1	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.
7.2	Employee access to the facility and computer resources is disabled upon notice of termination.	Selected a sample of employees terminated during the period and inspected the building security system access list to ensure access for the terminated employees was disabled timely.	No relevant exceptions noted with regard to the existence of policies and procedures for removing access to the tax collection software application for terminated employees. We did not test operating effectiveness of this control as there were no employees terminated during the period September 1, 2022 through August 31, 2023.