



**Modern Methods of Tax Collection and Internal Controls - Perfect Together!**

Thank you for attending the League's Mini Conference. Before our session, we have a couple of announcements:



**PLEASE NOTE:** Only a few people are allowed to attend this session. Please put your cell phones on vibrate or silent mode. **NO PERSONAL DISCUSSIONS** are allowed during the session. **PLEASE** keep your cell phones out of the room.

# Modern Methods of Tax Collection and Internal Controls - Perfect Together!



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Some Questions:

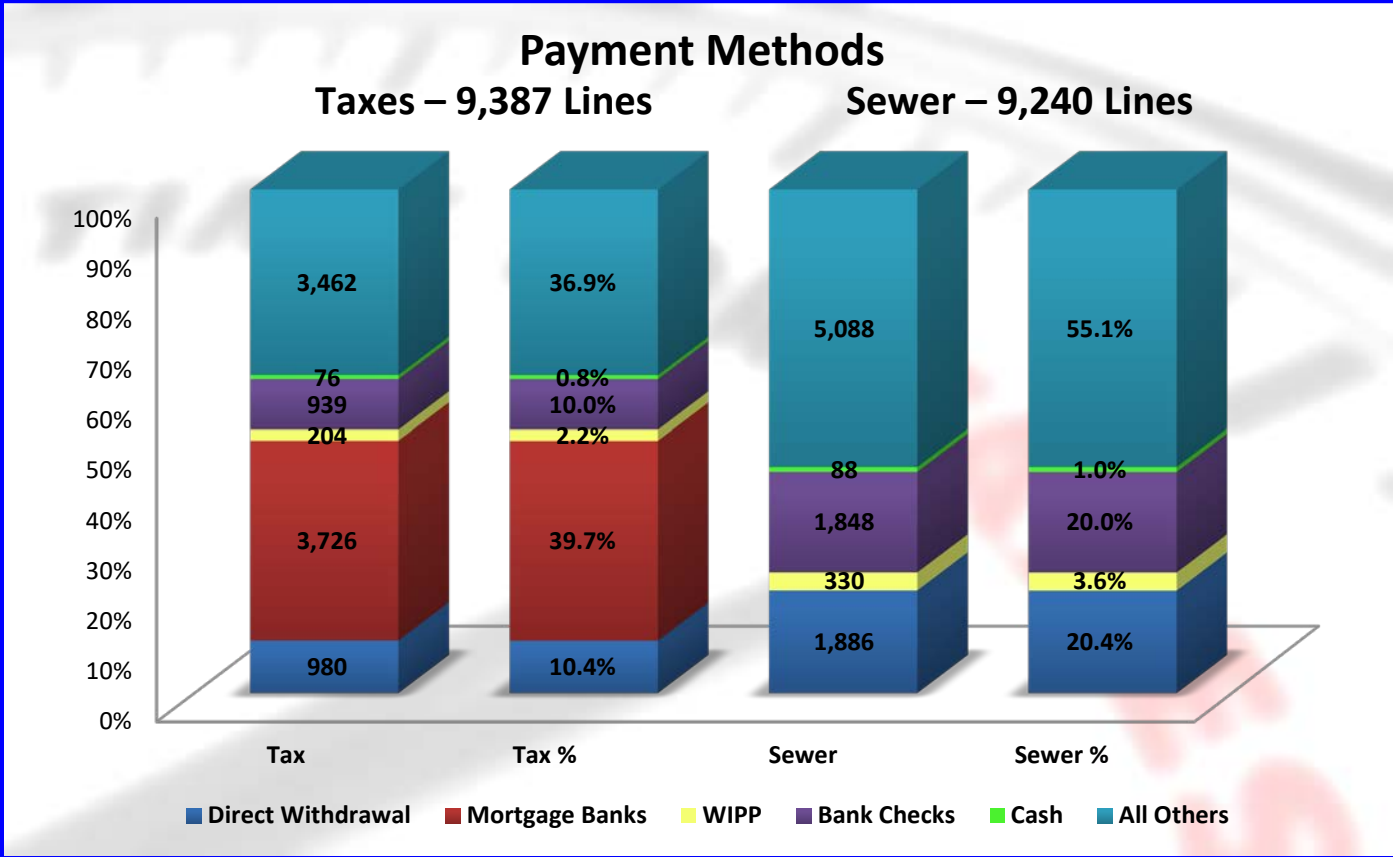
- 👍 Do you have an abundance of free time at work?
- 👍 Has your governing body increased the number of employees in your office?
- 👍 Has your administrator/manager reduced the workload in your office?
- 👍 Do you enjoy long lines at your collection counter?
- 👍 Do you enjoy counting cash and change?

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## Changes in Collection Methods

- 👍 **Old School:**
  - 👍 **Cash and Checks**
- 👍 **Changing face of collections – Mortgage Bank Servicers – Corelogic, Wells Fargo, Lereta ect.**
- 👍 **Cutting edge:**
  - 👍 **Remote Deposit.**
  - 👍 **Direct withdrawal.**
  - 👍 **On-line municipal website payments.**
  - 👍 **On-line bank check aggregation.**
  - 👍 **On-line annual tax sale.**

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## Changes in Collection Methods

- 👍 **General advantages of electronic collection methods:**
  - 👍 **Reduces cash handling and safeguarding**
  - 👍 **Drastically improves the accuracy of posting payments to tax and utility accounts**
  - 👍 **Drastically reduces the per transaction processing time**
  - 👍 **Reduction in returned (NSF) checks.**
  - 👍 **Potential reduction in staffing - reallocate human resources.**

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# GOVERNMENT

IF YOU THINK THE PROBLEMS WE CREATE ARE BAD,  
JUST WAIT UNTIL YOU SEE OUR SOLUTIONS.

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## Changes in Collection Methods

### 👉 State laws regulating municipal electronic receipts:

#### 👉 NJAC 5:30-9.5 Accounting and Control

👉 Transmittal to processor

👉 Settlement time - 48 hour rule

👉 Electronic receipt transactions considered form of cash receipts

#### 👉 NJAC 5:30-9.9 Surcharges or Convenience Fees

👉 Fees authorized by ordinance/resolution

👉 Fee restrictions - NJSA 40A:4-1 et seq.

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## Changes in Collection Methods

- ✎ **State laws regulating municipal electronic receipts :**
  - ✎ **NJAC 5:30-9.10 Payment-electronic receipt fees**
    - ✎ **Charge fees to budget appropriation**
    - ✎ **Charge fees to dedicated trust fund.**
    - ✎ **Processor permitted to debit municipality's bank account directly for fees.**
  - ✎ **NJAC 5:30-9.11 Interpretation of the rules.**
    - ✎ **Responsibility of the Director of the DLGS**

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## Specific Advantages and Internal Control Issues

- ✓ Remote Check Deposits:
  - ✓ Advantages
    - ✓ Deposit is transmitted directly to the bank.
    - ✓ Credited to the account in 24 hours.
    - ✓ Eliminates writing deposit tickets.
    - ✓ Replaces double taping (adding) checks.

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## Specific Advantages and Internal Control Issues

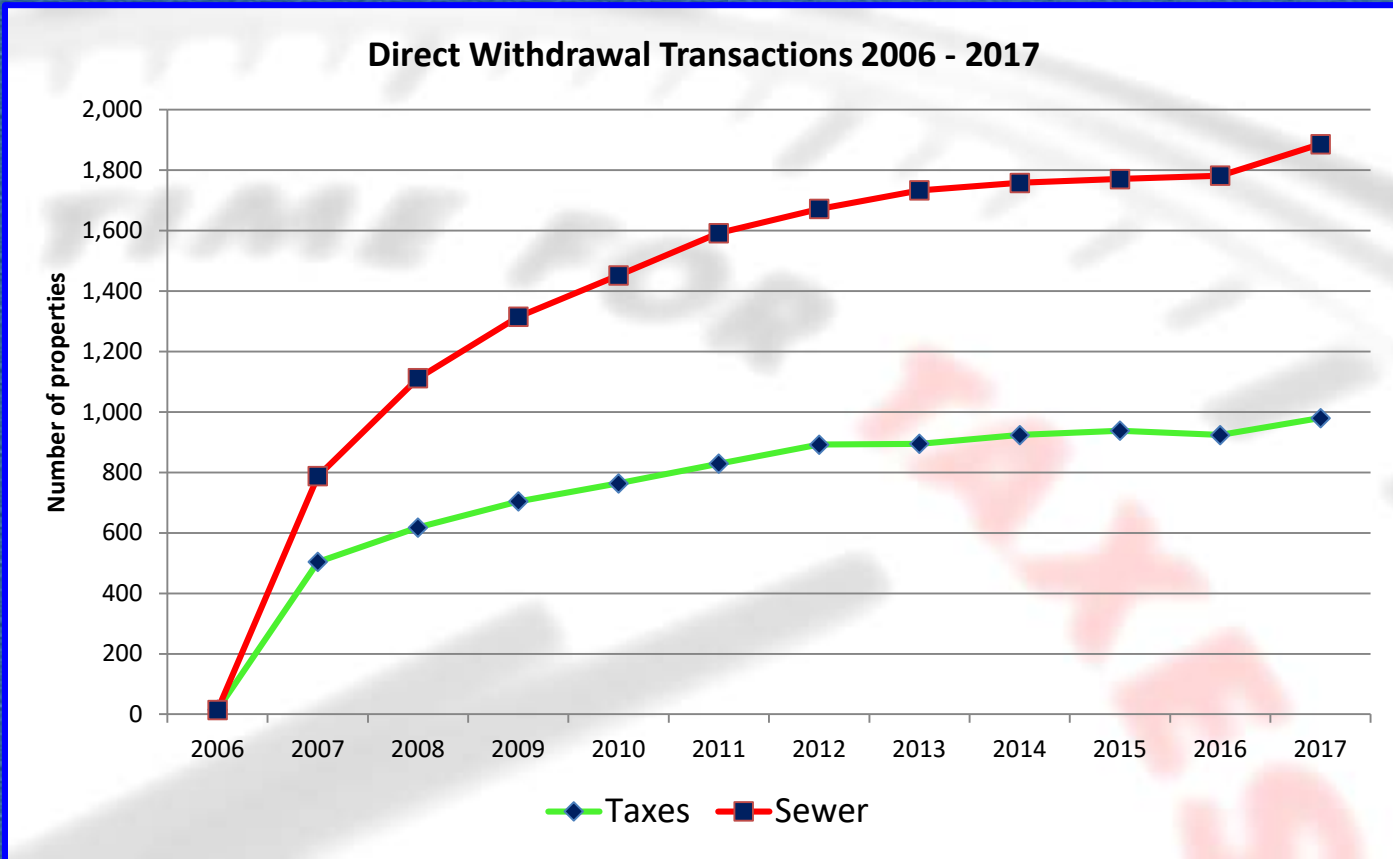
- ✓ Remote Check Deposits:
  - ✓ Internal Control Issues:
    - ✗ Safeguarding scanned checks.
    - ✗ Destruction of stored checks.
    - ✗ Potential to deposit to incorrect bank account if several separate bank accounts (tax, sewer, water) are available to deposit to.

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## Specific Advantages and Internal Control Issues

- ✓ **Direct Withdrawal (ACH Credit File):**
  - ✓ **Advantages**
    - ✓ **Convenience for the taxpayer**
    - ✓ **One amount deposited into bank account.**
    - ✓ **One file created with all payment transactions ready to post to tax and utility accounts.**
    - ✓ **Specific posting date - flexible.**
    - ✓ **Takes literally 5 minutes to post 1,000's of payments.**

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## Specific Advantages and Internal Control Issues

- ✓ **Direct Withdrawal (ACH Credit File):**
  - ✓ **Internal Control Issues:**
    - ✗ **Safeguarding direct withdrawal applications and void checks (Personal Information).**
    - ✗ **Transaction batch could be edited before posting to collection software (kiting).**
    - ✗ **Withdrawal errors-Sale of home/death of taxpayer etc.**
    - ✗ **Returned Items – prenote**

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## Specific Advantages and Internal Control Issues

- ✓ On-line municipal website payments:
  - ✓ Advantages
    - ✓ Taxpayer convenience - flexibility.
    - ✓ Deposits made within 48 hours
    - ✓ One amount deposited into bank account.
    - ✓ One file created with all payment transactions ready to post to tax and utility accounts.
    - ✓ Greatly increases accuracy of pmt posting.

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## Specific Advantages and Internal Control Issues

- ✓ On-line municipal website payments:
  - ✓ Internal Control Issues:
    - ✗ Transaction batch could be edited before posting to collection software (kiting).
    - ✗ No control over third party processor.

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## Specific Advantages and Internal Control Issues

- ✓ **On-line bank check aggregation:**
  - ✓ **Advantages**
    - ✓ **On-line Bank Checks combined into two daily payment files and matching ACH bank account postings.**
    - ✓ **Same day deposit and payment batch**
    - ✓ **Eliminates time consuming task identifying correct posting account, writing up a payment stub and individual posting.**
    - ✓ **Greatly increases accuracy of pmt posting.**

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## Specific Advantages and Internal Control Issues

- ✓ On-line bank check aggregation:
  - ✓ Internal Control Issues:
    - ✗ Transaction batch could be edited before posting to collection software (kiting).
    - ✗ No control over third party processor.

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## Specific Advantages and Internal Control Issues

- ✓ On-line annual tax sale:
  - ✓ Advantages
    - ✓ Eliminates lienholder collusion.
    - ✓ Helps taxpayer via tax sale premiums.
    - ✓ Eliminates time consuming tasks.
    - ✓ Tax sale receipts made via wire.
    - ✓ Tax sale auction service assists in collection and refund of deposits.
    - ✓ Advertising costs greatly reduced.

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## Specific Advantages and Internal Control Issues

- ✓ On-line annual tax sale:
  - ✓ Internal Control Issues:
    - ✗ Balancing errors.
    - ✗ No control over third party processor.

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## Future of Tax and Utility Collections

- ✓ Bitcoin:
- ✓ Telepathy:
- ✓ Questions???

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