



# Wakulla County Board of County Commissioners

## Internal Audit

### Public Service Tax Review

March 2023

The Internal Audit Department (IA) completed a review of the Public Service Tax (PST) that is due to Wakulla County (County) on a monthly basis. Florida Statutes 166.231 – 166.234 allow the County to collect a tax on the purchases of electricity, gas (natural, petroleum, and manufactured), and water of up to 10%. County Ordinance 2021-37, which was passed on November 15, 2021, set the collection at 9% beginning April 2022.

As of January 2023, payments for PST, along with the accompanying monthly reports, were submitted by each seller to the Wakulla County Clerk of the Court's Finance Department (Finance) where they were deposited, entered and reconciled. The County's Revenue Collections Department (Collections) was responsible for updating sellers on changes to rate amounts and following up on any issues.

The objective of this review was to examine how the process was working and make recommendations for areas that could be improved. Additionally, to review the correctness of the collections to ensure the County received all revenue that was due.

The PST collection process did not have clear lines of responsibility. Payments and reports were submitted to Finance. Collections was responsible for communication to sellers and the correctness of the payments. Because of this, the process was not operating efficiently. Several sellers were not submitting the required 9% PST but were submitting the 7% that had been in effect prior to April 2022.

Collections decided, in the absence of clear written policies and procedures, to take the process over and create a clear line of responsibility. Finance will continue to do a reconciliation between the accounting software, MIP, and what is submitted by Collections. Collections will take over the depositing of payments and receiving of the monthly reports. The following observations and recommendations are provided to assist Collections in the clean-up and transition.

#### ***Observations and Recommendations:***

1. Create a policy and inform sellers regarding late payments and how to apply/bill for them. The ordinance states, "failure to pay any public service tax when due or failure to file any required return shall result in the assessment of interest at the rate of one percent per month of the delinquent tax from the date the public services tax was due until paid." Payment is due for tax collected on or before the 20th day of the month following the month of collection. Time stamp payments and/or reports when they arrive to document the date received.
2. Create a policy on zero returns (businesses that sell propane but don't have any sales for a particular month) to ensure payments are sent each month or set a dollar threshold in the policy allowing payments for multiple months if under the threshold.
3. Address the collection allowance listed in the ordinance. Reference to a collection allowance should be removed from the ordinance or clarification on the amount of the allowance allowed and the conditions required to take it added to the ordinance.

4. Update the PST report form to reflect the details in the ordinance.
  - a. Add the word “Collected” to Total Sales Dollars, Total Exempt Sales Dollars, and Total Taxable Sales Dollars.
  - b. Add language to the form in reference to the policies created for late filings and any zero reporting requirements/threshold requirements.
  - c. Add reference to County Ordinance and State Statute.
  - d. Correct column heading and listed formula based on the removal or additional of a collection allowance amount.
  - e. Add lines for seller’s license number, business location, billing address, and contact’s email address.
5. Establish a policy for checking for licenses to find anyone approved to sell but not filing a report. Checking the Florida Department of Agriculture’s website at least quarterly for new businesses in Wakulla County, so they can be contacted about report filing requirements is recommended. This will also allow any changes to businesses to be addressed with the business quickly, changes include expired or denied licenses, change in business name, etc. Businesses that are LP Gas Dealers (companies that deliver to Wakulla residents) may not be listed under Wakulla, therefore checking known businesses for changes is recommended. Contact Florida Department of Agriculture to find out if there is a way to be updated on changes or additions to licenses within the County. During the review several businesses were found with active licenses but no payment had been made to the County. The majority of these businesses were new or closed. One business was found to be actively selling for several years but had never submitted a payment.
6. Create standard letters to be sent to businesses for changes to rates, missing reports, incorrect payment amounts, ordinance changes, and sending the report form. Create forms to recalculate amount due and amount paid differences, plus penalties. Add contact person information, business name, location and billing addresses to the PST spreadsheet for easily sending standard letters. Recommend sending letters and updated PST form via email, mail, or both to all businesses after policies have been established.
7. Add PST information and the reporting form to the County’s website to help sellers.
8. The review found nine businesses were not paying the 9% PST that went into effect on April 1, 2022. Eight of these businesses, based on submitted reports and payments, totaled \$9,668.63 in PST not received. The interest penalty totals another \$543.72. One business showed an underpayment, based on submitted reports and payments, of \$184,849.77 with an additional \$19,981.64 in interest. This business is disputing this amount and therefore there will be a comprehensive audit of this business separate from this review.

***Management Response:***

Management responded via memoranda dated March 30, 2023 as follows:

**Items 1, 2 and 3** - PST collection is authorized by Florida Statute 166.231 and Article VI, Chapter 29 of the Wakulla County Code of Ordinances (Code). As such, changes to the policy for sellers remitting payments to the County late, payments of multiple months for sellers with zero returns and the collection allowance must be established through

Public Hearings and modification of the Code. Staff intend to work with County legal services to draft the required Code changes and bring them forth through the BOCC public meeting process. It is estimated this will happen in the current fiscal year or by the conclusion of the current calendar year.

**Item 4** - Collections staff has implemented the recommended changes to the PST reporting form and the updated form has been provided to all currently known sellers.

**Item 5** - Collections staff has implemented the recommendation and will be checking the Department of Agriculture website monthly to ensure that any new seller approved in the County is informed about the requirement to collect and remit PST payments to the County. Also, a Standard Operating Procedure (SOP) has been established for this process. Collections staff will maintain this SOP and continually update it to reflect any procedural changes in the future.

**Item 6** - Collections staff has created standardized letters that can be auto filled in for changes to rates, missing reports, incorrect payment amounts, Code changes, and providing updated PST reporting forms. Collections staff have requested updated contact information from each currently known seller regarding the seller's responsible party for PST calculation and remittance. All currently known sellers have been provided with the current PST reporting form through email, mail, or both.

**Item 7** - The current PST reporting form has been placed on the County website.

**Item 8** - Collections staff is presently contacting eight (8) of the known sellers who have not been remitting at the correct PST rate and collecting the underpayment amounts and will support Internal Audit staff in the comprehensive audit of the seller with the most significant arrearage.

***End of Report***