Performance Audit

Department of Finance
Real Estate Division

Report by the
Office of City Controller

MICHAEL E. LAMB
CITY CONTROLLER

Rachael Heisler, Deputy Controller

Gloria Novak, Performance Audit Manager

Bette Ann Puharic, Performance Audit Assistant Manager

Ashley Gordon, Performance Auditor

May 2022

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CITY OF PITTSBURGH
OFFICE OF THE CITY CONTROLLER
Controller Michael E. Lamb

May 2022

To the Honorable Mayor Edward Gainey and
Honorable Members of Pittsburgh City Council:

The Office of the City Controller is pleased to present this performance audit of the City of Pittsburgh's **Department of Finance, tax and fee collection processes with emphasis on the 2021 real estate and parks tax collection.** The audit was conducted pursuant to the Controller's powers under Section 404(b) of the Pittsburgh Home Rule Charter. This audit assesses the procedures and policies for processing in-house taxes, the delays that occurred in 2021, the decision-making process to change tax-collection processes and the effects of COVID-19 on staffing shortages and equipment issues.

EXECUTIVE SUMMARY

The City of Pittsburgh Department of Finance is responsible for collecting 13 different taxes. Ten are collected in-house; three are collected by a private contractor, currently Jordan Tax Service; and one is collected by Allegheny County and then remitted to the City.

City property owners, except for nonprofit entities, are taxed according to the assessed value of each property. These taxes include the city real estate, school, Carnegie Library of Pittsburgh, and the parks tax. Taxes are calculated by dividing the millage rate by the assessed value. A mill is 1/10 of a cent. The collection of the parks tax started in January 2021.

The focus of this audit was to explain the delays with 2021 real estate tax processing. The primary causes for the delay include the COVID-19 pandemic, which caused staffing and equipment issues; the purchase of new equipment; and the late passage of a parks tax with the decision to not delay implementation, which ultimately lead to additional billing and processing.

Business taxes were also affected by delays. There were hundreds of business checks that had to be returned to owners because of stale dates. A stale date is when a check is written and not cashed within the 90-day window. An expired check cannot be cashed requiring the notification of the business, the return of the stale check, and a request that a new check be submitted for payment.

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The City's Department of Finance Tax Processing employees operated a skeleton crew to process tax payments. COVID-19 protocols allowed for only one person to be in the small room where two tax processing machines were located. Some staff retired or quit and replacements could not be hired because of the City-imposed hiring freeze. Some of these vacancies included supervisor positions, which lead to inconsistent management practices and a lack of oversight. Between 2020-2021, nine out of 21 positions became vacant, leaving 12 full-time positions to run the tax-collection process—43% of the positions in the Department of Finance became vacant and could not be filled. By the time City Council passed the parks tax, the real estate and Carnegie Library tax bills had already been prepared. For the City to collect the new parks tax, new bills had to be calculated, printed, and mailed to every household. This doubled the workload for the short-staffed department.

According to Finance and Real Estate personnel, the late passage of the parks tax was not the only cause of the delay. There is a Magnetic Ink Character Recognition (MICR) line on the bottom of each tax bill that identifies what tax is being paid. The initial bill mailed to residents was only for city, school, and Carnegie Library tax payments. To process the parks tax, there needed to be an additional number added to the MICR line in order to differentiate.

The City processed over 107,616 **non-real estate tax transactions** in 2020 and 80,814 in 2021. There were 26,824 fewer transactions processed in 2021 representing an almost 25% decrease in non-real estate tax transactions. The tax revenue decreased by $12,555,574.19 or 10%. Due to COVID-19 and other delays, a lag in processing 2021 taxes was carried into 2022.

In 2020, Finance processed 104,324 **real estate transactions** <u>in the office</u>. This was a combination of the city, school, and Carnegie Library taxes that totaled $228,820,392.47. In 2021, the department processed 83,625 real estate (city, school, and Carnegie Library tax) transactions collecting $214,619,771.19, and 54,381 transactions for the parks tax collecting $6,629,195.83. This totals 138,006 real estate related transactions collecting $221,248,967.02 in revenue.

This means that in 2021, the Department of Finance processed 33,682 more real estate transactions than in 2020 with nine fewer staff members. This is a 32.3% increase of bills and checks needing processing and was a direct result of the parks tax bills being mailed separately. Delayed implementation would have alleviated the unnecessary strain on the department and reduced frustration among taxpayers.

Our Findings and Recommendations are discussed in detail beginning on page 11. We would like to thank the Finance Department staff for their cooperation and assistance during this audit.

Sincerely,

Michael E. Lamb
City Controller

INTRODUCTION_____

        This performance audit of the City of Pittsburgh's **Department of Finance, Tax and Fee Collection Processes with emphasis on the 2021 Real Estate and Parks Tax Collection.** This audit assesses the procedures and policies of processing in-house taxes, the delays that occurred in 2021, the decision-making process to change tax collection processes and the effects of COVID-19 on staffing shortages and equipment issues.

        This is the first performance audit report of the Department of Finance's tax collection processes. Two past performance audits of the Department were conducted: a 2011 audit of the Real Estate Division Property Acquisition and Disposition and a 2019 audit of the Treasurer's Office Division of Property Sales.

OVERVIEW_____

        The City of Pittsburgh, Department of Finance, is responsible for collecting 13 different taxes. Ten are collected in-house, three are collected by a private contractor, currently Jordan Tax Service, and one is collected by Allegheny County and then remitted to the city.

        The following is a list of taxes collected by the City's Department of Finance:
        Payroll Expense Tax
        Local Services Tax
        City Real Estate Tax
        School Real Estate Tax
        Carnegie Library Real Estate Tax
        Parks Real Estate Tax
        Parking Tax
        Institution and Service Privilege Tax
        Amusement Tax
        Non-Resident Sports Facility Usage Fee

        The following is a list of taxes collected by Jordan Tax Service and then remitted to the Finance Department:
        Earned Income Tax – Employer Withholding
        Earned Income Tax – Individual
        Delinquent Real Estate tax

   The Realty Transfer tax is collected by Allegheny County and then remitted to the city's Finance Department.

Department Organization

        Figure 1 shows the Finance Department's structure and various divisions for both 2020 and 2021. In June 2020, the director of finance/treasurer retired, and a new director/treasurer was appointed by the mayor. In November 2021, the director/treasurer position became vacant, and

the director of the Office of Management and Budget became the acting finance director/treasurer.

FIGURE 1
2020 and 2021
Finance Department Organization
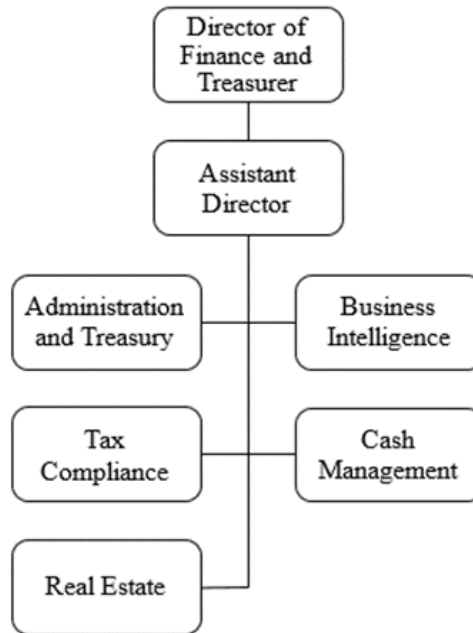
Source: 2020 and 2021 City of Pittsburgh Budgets

The 2020-2021 City Budget states:

Real Estate Division - This unit manages all real estate activity including property tax, city property sales (treasurer sales) as well as abatements and delinquencies. **The Real Estate division is the designated collector for the Pittsburgh School District and Carnegie Library and ensures that the property tax and any delinquencies on accounts are collected for the current year.** The Real Estate division manages the entire real estate inventory online for the public to search and apply for properties that are for sale. The division works with property buyers, delinquency collectors, Pittsburgh School District, County Assessor's Office, the Urban Redevelopment Authority, and the Law Department to return property to the tax rolls and expedite the sales processes.

Tax Compliance Division - This division houses all compliance and enforcement activities and is the front facing counter that manages tax compliance letters and new business registrations. The tax compliance team is responsible for discovering new businesses, **collecting business taxes and fees,** performing audits and investigations, and issuing citations to ensure that all money owed is collected and that taxpayers comply with the City ordinance.

Cash Management Division - **This unit ensures all collections are processed timely and accurately.** This area includes cashiering, imaging, data entry, investment, insurance and bonds,

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ACH grants, and all activities related to the City Controller's daily revenue posting. The division expedites the deposit and/or transfer of revenues to manage the distribution of funds citywide.

Besides the Division name, the portions **bolded** above refer to the collection of taxes. As per the budget, the collection of taxes spans three Divisions in the Department of Finance. Table 1 shows that the department was budgeted for 39.85 positions totaling $1,955,437 in 2020 and 41.85 positions totaling $1,970,222 in 2021. The 0.85 of a position refers to the Director's salary and shows that 85% comes out of the city budget with the remaining 15% being paid out of the Three Taxing Bodies Trust Fund.

TABLE 1

Department of Finance Employee Positions as listed in the 2021 Amended Budget							
Title	2020 FTE	Rate/Hours/ Grade	Months	2020 Budget	2021 FTE	Rate/Hours/ Grade Months	2021 Budget
Director - City Treasurer	0.85	35G	12	$ 94,672	0.85	35G	12	$ 97,512
Assistant Director	1	32G	12	95,504	1	32G	12	98,369
Revenue & Analytics Manager	1	27E	12	72,033	1	27E	12	74,194
Manager, Finance Operations	1	28F	12	78,520	1	28F	12	80,876
Finance Systems Analyst	1	24E	12	63,887	1	24E	12	65,804
Investment Officer	1	24E	12	63,8	1	24E	12	65,804
Tax Compliance Supervisor	**1**	**26E**	**12**	**69,285**	**1**	**26E**	**12**	**71,364**
Financial Analyst	3	22E	12	176,396	2	22E	12	121,126
Administrative Assistant	1	20E	12	54,053	1	20E	12	55,675
Assistant Investment Officer	1	20E	12	54,053	1	20E	12	55,675
Mailroom Supervisor	1	18G	12	54,053	1	18G	12	55,675
Coordinator, Tax Compliance	**3**	**20D**	**12**	**153,001**	**3**	**U07-I**	**12**	**159,891**
Specialist, Tax Compliance	**7**	**16D**	**12**	**309,407**	**7**	**U06-F**	**12**	**323,561**
Supervisory Clerk	**1**	**12E**	**12**	**39,484**	**1**	**12E**	**12**	**40,669**
Collection Supervisor	**-**	**12E**	**12**	**-**	**1**	**19E**	**6**	**31,150**
Remittance Supervisor	**-**	**19E**	**12**	**-**	**1**	**19E**	**6**	**31,150**
Technician, Remittance	**2**	**10D**	**12**	**72,480**	**2**	**U01-N**	**12**	**75,169**
Technician, Remittance	**-**	**U01-N**	**12**	**-**	**2**	**U01-N**	**4**	**25,056**
Technician, Accounting	**4**	**10D**	**12**	**144,961**	**4**	**UO2-K**	**12**	**152,067**
Cashier	**2**	**10D**	**12**	**72,480**	**2**	**U01-N**	**12**	**75,169**
Assistant II, Administrative	4	08D	12	137,772	3	UO2-H	12	107,815
Assistant I, Administrative	2	06D	12	65,832	2	UO2-G	12	70,542
Total Full-Time Permanent Positions	**39.85**			**$1,955,437**	**41.85**			**$1,970,222**

The job titles **bolded** in Table 1 are involved with the billing, collection, and processing of tax payments. In 2020, there were 20 budgeted positions and in 2021, there were 24. The City of Pittsburgh was under a hiring freeze until April of 2021. The **bolded** job title salaries listed above for 2020 totaled $861,098. Almost $2 million is budgeted annually for the Department of Finance.

In addition, two other positions that assist with the real estate tax process are paid out of the Three Taxing Bodies Trust Fund which include:

	2020	**2021**
Supervisor - Property Management	1 24E 12 63,887	1 24E 12 65,804
Assistant Tax Supervisor	1 21E 12 56,363	1 21E 12 58,054

The Three Taxing Bodies represent the City of Pittsburgh, Allegheny County, and Pittsburgh Public Schools. The city acts as trustee/agent for properties owned jointly by the Three Taxing Bodies. The Three Taxing Bodies Trust Fund was established to pay for costs relating to the administration of these properties. These two additional positions totaled $120,250 in 2020 and $123,858 in 2021.

OBJECTIVES

1. Determine how many taxes are collected by and for the city
2. Report the tax millage for real estate, school, Carnegie Library, and parks tax
3. Report the history and reasons for the creation of the Carnegie Library and parks tax
4. Assess the procedures and policies of processing in-house taxes
5. Determine what delayed the processing of the real estate, school, Carnegie Library, and parks taxes in 2021
6. Summarize the history of the decision-making process for changing tax collection processes, procedures, and policies
7. Investigate the effects of COVID-19 on staffing shortages and equipment issues
8. Make recommendations for improvement

SCOPE

The scope of this performance audit for all tax collection processes are the years 2017 through 2021. The scope for the new parks tax passage and process begins in 2019 with the tax collection starting in 2021.

METHODOLOGY

The auditors had a meeting with the Director of Finance, Assistant Director of Finance, Real Estate Supervisor, Assistant Tax Supervisor, and the Real Estate Coordinator.

Auditors reviewed city budgets for 2017-2021 and the city's Department of Finance website.

Auditors reviewed the Controller's Office Performance Audit of the Pittsburgh Parks Conservancy that was released in July 2020.

The auditors conducted a walk-through of the real estate section's offices, examined the OCR machine that was replaced in 2020 for processing real estate tax payments, and were told how that machine processed taxes.

The auditors also examined the newer OPEX FalconV+, referred to as OPEX throughout the audit, machinery currently in use to process tax payments submitted by residents. A demonstration of the newer OPEX system for processing business and real estate taxes was observed. The verification process of tax payments was also witnessed. An explanation was given as to how tax information is stored and how the funds are transferred to the city's bank accounts.

The auditors requested copies of the invoices for the two OPEX machines purchased by Finance in 2017 and 2020 from the City Controller's Office, the Department of Finance, and the company that supplied the machines, RT Lawrence.

Auditors reviewed the two Request for Proposals (RFP) for the new tax collection system called IMPACT.

Auditors requested from the Department of Finance a list of all taxes collected by the city and the approximate number of transactions processed yearly.

Auditors communicated with the assistant finance director and real estate coordinator numerous times on various components of this audit via email, telephone, and in-person.

FINDINGS AND RECOMMENDATIONS_____

Paying Real Estate, Library, and Parks Taxes

Real Estate and School Taxes

City property owners, except for nonprofit entities, are taxed according to the assessed value of each property. Nonprofit entities are public buildings, hospitals, churches, etc. Taxes calculated by assessed value include city real estate, the Pittsburgh School District, the Carnegie Library, and the parks.

The market value and assessed value of every property is ultimately determined by the Allegheny County Office of Property Assessment. This county office has no set schedule for reassessing property.

Taxes are calculated by applying the millage rate to the assessed value. A mill is 1/10 of a cent. In 2021, the City's tax millage rate was 8.06 (.00806), the Pittsburgh School District was 9.95 (.00995), the Carnegie Library tax was .25 (.00025) and the parks tax was .5 (.0005). What this means is for every $1,000.00 of assessed value, the City tax would be $8.06; the school tax would be $9.95; the Carnegie Library tax would be $0.25; and the parks tax would be $0.50.

Real estate taxpayers have the option of paying taxes in one or three installments. If city and school taxes are paid by February 10, a 2% discount is offered. This discount is applied to the total tax amount paid or to the first installment amount. If paid in three installments, subsequent tax bills are not discounted. Real estate tax due dates are the last day of February for the 1st installment or the annual total amount at gross; April 30 for the 2nd installment; and July 31 for the 3rd installment.

If no tax payment is made, or if fewer than the first installment amount is paid by the last day of February, the entire year's taxes become due and payable in full. Tax bills are mailed in January, followed by installment tax bills mailed in April and July. This means, for every property tax bill mailed and depending on how the resident wants to pay the bill, the city may have to process the payment up to three times.

Finding: If a property owner chooses to pay their tax bill in three installments, the Department of Finance's workload increases. This is because the bill must be mailed three times and then processed three times.

Payment from a Mortgage Company

According to the Assistant Real Estate Manager, tax bills mailed to a mortgage company are usually paid in full by the mortgage company from the taxpayer's escrow account. Mortgage payments and credit cards are applied electronically meaning the money is wired to the Finance Department and then a click on the computer will deposit and register the money. Some mortgage and title companies still send checks to the Department. These checks usually have a "cash by date" written on it. This only gives a finite amount of time for the check to be cashed

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(usually 90 days). If the check is not cashed before the check expires, the check is considered stale, and it must be returned to the mortgage company and reissued.

Any property tax bill not paid by the end of the year will be turned over to Jordan Tax Service for collection. This will incur substantial penalties plus interest for the taxpayer.

Further real estate tax information can be found in the Pittsburgh City Code Chapter 263.

Library Tax

City residents voted overwhelmingly on November 8, 2011, to approve a 0.25-mill additional tax on all taxable real estate in the City of Pittsburgh. The Carnegie Library tax is only allocated and used for the operation and maintenance of Carnegie Libraries in the City of Pittsburgh. This tax is billed on the same bill as the City and Pittsburgh School District property taxes and was first assessed in 2012. For a $100,000 assessed property, the tax would be $25. The City of Pittsburgh collects the tax and forwards all proceeds electronically to a Carnegie Library of Pittsburgh bank account. Carnegie Library tax payments are not discounted.

Parks Tax

In the fall of 2019, an effort began to place a referendum on the ballot, asking Pittsburgh residents to increase city real estate taxes by 0.5 mills ($50 per $100,000 of assessed real estate value) to boost funding for *underserved* city parks. This tax was projected to generate $10 million every year, creating its own dedicated parks trust fund. As the referendum stated, the funds are to be used to address parks' maintenance and capital projects in *underserved* neighborhoods. The Department of Public Works is responsible for overseeing where and how the money is spent, with City Council approval.

The referendum passed by 52% of the vote in November 2019. The City's Law Department subsequently determined that City Council must be the body to officially pass a tax increase. As a result, Council decided to investigate the Pittsburgh Park Conservancy (PPC), a public/private organization that raises money to restore parks with the City of Pittsburgh.

The city and the PPC have been working together since 1998, but an evaluation of the relationship, performance, and results of projects between the city and the PPC was never conducted. Therefore, City Council asked the City Controller for a performance audit assessing the effectiveness and efficiency of the PPC. After the audit was completed, City Council enacted what became known as 'the parks tax" at the end of 2020. Collection of the tax started in January 2021. Parks tax payments are not discounted.

For further information regarding the parks tax, see the Controller's PPC performance audit released in July 2020. https://pittsburghpa.gov/controller/performance-audits

Tax Collection Process Delays

The primary focus of this report was to explain the delays with 2021 real estate tax processing. The causes for the delays were the COVID-19 pandemic, which caused staffing and equipment issues, the purchase of new equipment, and the late passage of a parks tax with the decision to not delay implementation, which ultimately lead to extra billing and processing.

Business taxes were also affected by delays. There were hundreds of business checks that had to be returned to owners because of stale dates. A stale date is when a check is written and not cashed within the 90-day window. The expired check cannot be cashed, requiring the notification of each company, the return of the stale check, and a request that a new check be submitted for payment.

COVID-19 Pandemic

COVID-19 pandemic hit Pennsylvania in March 2020. The Governor ordered all employers to cease in-person operations, except for certain essential workers determined by his office. For the most part City of Pittsburgh employees, except for police officers, firemen, paramedics, refuse workers, and other essential positions needed to keep the city running pivoted to remote work. The City's Department of Finance Tax Processing employees operated a skeleton crew to process tax payments.

When staff was working in the office, masks had to be worn and desks/equipment had to be relocated at least six feet apart from each other. COVID protocols allowed for only one person to be in the small room where two tax processing machines were located. The machine and wiring had to be moved by the vendor for proper connectivity and warranty requirements. According to the real estate staff, this took time because of vendor personnel issues. It was also challenging to find adequate space on the first floor of the City-County Building.

Staff Shortages

Space limitations and office layout forced Department of Finance personnel to alternate work schedules to abide by mandated health safety measures. Some staff retired or quit, and replacements could not be hired because the city imposed a hiring freeze. Some of these vacancies included supervisors. Project oversight suffered and lead to inconsistent management practices.

During 2020 and 2021, nine positions out of 21 became vacant, leaving 12 full-time positions to run the tax collection process: 43% of the positions in the Department of Finance became vacant and could not be filled.

Hiring Freeze

The COVID-related economic downturn and potential impact on the city budget forced the city to freeze all hiring. Therefore, as people left the Department of Finance, they were not

replaced. This further stressed department resources and their ability to process tax payments in a timely manner.

Parks Tax Billing and Setup

When City Council passed the new parks tax on December 28, 2020, with an effective date of January1, 2021, the 2021 property tax bills had already been prepared. To begin the collection of the parks tax, as required by the law passed only a week earlier, an additional bill had to be calculated, printed, and mailed to every property owner. This doubled the workload for the short-staffed department and created confusion among taxpayers.

According to Finance and Real Estate personnel, the late passage of the parks tax was not the only cause of problems. There is a MICR line on the bottom of each tax bill that identifies what tax is being paid. MICR stands for Magnetic Ink Character Recognition. The MICR line is a series of numbers on the bottom of a bill that the computer reads to identify what type of payment it is, in this instance, parks tax payment. The initial bill mailed to residents was only for city, school, and Carnegie Library tax payments. To process the parks tax, there needed to be an additional number added to the MICR line in order to differentiate the parks tax. This was another cause of delay.

Finding: Delayed passage of the parks tax resulted in another series of city-wide property bills being calculated, printed, mailed, and processed by the Department of Finance. Billing for the parks tax doubled the department's workload in an already understaffed department.

The first parks tax bill went out without the homestead (Act 50), senior tax relief (Act 77), or abatements deducted from the assessed value. These programs reduced or eliminated the properties assessed value which in turn reduces the amount of tax due. According to the assistant director of Finance, they had to pay an outside contractor, B3, to rebuild the system in order to mail out the bill. They had to do the same thing when the Carnegie Library tax was passed and implemented. However, the department had more notice and include a separate Carnegie Library tax bill with the city and school tax bill. When the Carnegie Library tax was first assessed, it also did not account for property exemptions, and the administration decided that because of the small amount, it would have cost more to process and mail out refunds. The next year the Carnegie Library tax was assessed with the exemptions applied properly.

With the parks tax, an article appeared in the local newspaper about the billing not applying the homestead, senior tax relief, or abatement deductions from the assessed value. Immediately people called the department wanting refunds. This added another unpredicted responsibility to the department taking more time and staff.

Finding: In 2021, the parks tax billing overcharge required the Finance Department to do extra work. The tax calculation had to be corrected and refunds issued which is still ongoing. According to the Assistant Real Estate Manager, the average dollar amount refunded was $7.50.

Other Issues that Caused Delays

Additionally, human error and the situation itself caused some obstacles in billing that required additional work for the department. For example, bills and checks with paperclips or staples cannot be processed by the machine and must be removed by hand; multiple properties paid with one check delayed processing because the total must be verified by hand. If the total paid is incorrect, the original form of payment and bill must be returned to the taxpayer. Also, tax payments made by mortgage companies needed to be returned for re-issue if older than the 90-day expiry period.

The following is a list of problems that caused delays in processing tax payments mostly due to COVID 19:

1) Restrictions in staff proximity
2) Close proximity of machines that had to be moved but were delayed because of personnel limitations from the machine's vendor
3) Nine members of staff left, from clerks to administrative/supervisory personnel: this left 12 full time people to process all tax payments
4) Hiring freezes for all non-necessary people
5) No vaccination ready
6) Double the amount of work
7) Checks expiring
8) Payment coupons not added correctly
9) Check does not match the payment

Number of Tax Payments Processed

Non-Real Estate Taxes

Non-real estate taxes are collected at different times of the year depending on the tax. The following is when non-real estate taxes are due.
AT- Amusement tax is collected monthly
ET-1-Payroll Expense is collected quarterly
ISP-Institution and Service Privilege is collected annually
PT-Parking Tax is collected monthly
UF-1-Facility Usage Fee is collected quarterly
OT-1 and OT-3 have been replaced by LS. All tax descriptions and rates, including legislation and rules/regulations are posted or linked here: https://pittsburghpa.gov/finance/tax-descriptions
LS-Local Service Tax is collected quarterly

Table 2 shows that over 100,000 non-real estate tax payments were processed in 2020 by the City, collecting a total of $121,808,036.90 of non-real estate revenue.

TABLE 2
Non-Real Estate Tax Payments
1/1/2020 through 12/31/2020

Tax Type	Number of Transactions	Dollar Amount
AT--Amusement Tax	1,009	$6,428,519.09
ET-1-- Payroll Expense	53,417	$64,231,626.10
ISP-- Institution and Service Privilege	239	$572,723.61
LS – Local Service Tax	48,203	$13,901,280.51
PT-- Parking Tax	4,433	$33,763,984.60
UF-1-- Facility Usage Fee	315	$2,909,902.85
Grand Total	**107,616**	**$121,808,036.9**

Source: Finance Department

Table 3 shows non-real estate tax payments from January 1, 2021, through December 31, 2021. The number of transactions were 80,814 for a total revenue amount of $109,252,462.71

TABLE 3
Non-Real Estate Tax Payments
1/1/2021 through 12/31/2021

Tax Type	Number of Transactions	Dollar Amount
AT--Amusement Tax	701	$6,006,944.04
ET-1-- Payroll Expense	40,920	$56,425,464.76
ISP-- Institution and Service Privilege	217	$497,675.61
LS – Local Service Tax	34,605	$10,223,194.91
PT-- Parking Tax	4,242	$33,100,816.62
UF-1-- Facility Usage Fee	129	$2,998,366.77
Grand Total	**80,814**	**$109,252,462.71**

Source: Finance Department

Finding: The City processed over 107,616 **non-real estate tax transactions** in 2020 and 80,814 in 2021. There were 26,802 fewer transactions processed in 2021 representing an almost 25% decrease in non-real estate tax transactions. The tax revenue decreased by $12,555,574.19 or 10%. Due to COVID and other delays, a lag in processing 2021 taxes was carried into 2022.

Real Estate Taxes

In 2020 the Department of Finance processed 104,324 **real estate transactions** in the office, this was a combination of the city, school, and Carnegie Library taxes and totaled $228,820,392.47. In 2021, the department processed 83,625 real estate (city, school, and Carnegie Library tax) transactions collecting $214,619,771.19, and 54,381 transactions for the parks tax collecting $6,629,195.83. This totals 138,006 real estate related transactions collecting $221,248,967.02 in revenue. This information came from the Finance Department. It is important to note that these dollar figures do not include revenue collected by the lockboxes.

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This means that in 2021, the Department of Finance processed 33,682 more real estate transactions than in 2020 with nine fewer staff members. This is a 32.3 % increase of bills and checks needing processing and was a direct result of the parks tax bills being mailed separately.

Finding: The workload for the Department of Finance personnel increased 32.3% because of the late passage of the parks tax. This, coupled with a 43% decrease in personnel, slowed the entire tax payment process down.

The parks tax was passed without thinking about the practical application of its collection. No inquiry or plan was made as to what would be needed to collect the new tax. The evaluation should have included how the tax would be calculated, if equipment was adequate for processing, and whether the tax could be billed and mailed together. Current staffing levels should also have been considered, as to their ability to handle the workload.

RECOMMENDATION 1:

In anticipation of any new legislation that would affect operations, the Finance Department administration should work with City Council about staffing and equipment concerns. In turn, City Council needs to ensure that the impacted department(s) have adequate funding to comply with new legislation in an efficient and effective manner.

Cost of Real Estate Tax Collection

Prior to 2015, real estate taxes were collected and processed by PNC Bank. The property owner would be sent a bill from the City, but the homeowner's payment would be sent to a PNC lock box. A lock box attendant opened the mailed payment, processed (recorded) the payment, and automatically routed the funds into one central city account. According to the assistant finance director, the city was paying approximately $3 million in yearly fees for these lock boxes. With such a large amount of money, the city administration wanted to explore options to eliminate or reduce this cost. As a result, changes were made to allow tax payments to be mailed and processed by Department of Finance personnel.

Moving the real estate tax payment process in-house was seen as a cost-saving measure. In 2011, the city purchased an optical character recognition (OCR) scanner machine that uses Remit 32 software to process real estate taxes. This OCR scanner was a small machine that could be set on any table or desk and could be operated by one person. OCR is a technology that recognizes text within a document especially in scanned documents or images. It can convert the scanned document or image into an accessible electronic version of the document or image with all the text.

It should be noted that past administrators involved in the purchase of the OCR scanner and Remit 32 software are no longer employed in the Finance Department. No one currently employed has knowledge about the reasoning for purchasing this machine and software. The auditors were told there is no written documentation regarding how the decision was made. The

OCR scanner and the Remit 32 purchase allowed the city to eliminate the costs of lockboxes being used to process real estate tax payments.

The Remit 32 software and the OCR scanner require annual maintenance costs. The auditors received a cost break down of yearly expense since 2015 from the finance operations manager. Table 1 shows the maintenance costs from 2015-2021:

TABLE 4
REMIT 32 MAINTENANCE EXPENSES
2015-2021

Year	Maintenance Cost
2015	$243,000
2016	$135,000
2017	$95,000
2018	$95,000
2019	$95,000
2020	$95,000
2021	$0
Total	**$758,000**

Source: Finance Department

The annual maintenance cost has been eliminated with the purchase of the second OPEX machine explained later in this audit.

Finding: Department of Finance purchase of the new OPEX FalconV+ Machine eliminated yearly maintenance expenses with the older equipment.

Real Estate Tax Payment Process

As stated in the overview, real estate tax bills are mailed to residents at the beginning of the calendar year. Each bill consists of two parts, the upper part lists the owner's name, address, lot and block number, and the assessed value. The bottom part lists the amount of city real estate tax due, Pittsburgh Public School tax amount due, and Carnegie Library tax due. In 2022, the parks tax will also be listed on the same bill.

The top section of the bill acts as a "coupon" with the property address, a MICR scanning line, and the amounts due listed. This coupon can be removed to return the bill to the city along with a resident's tax payment. An example of a City of Pittsburgh tax bill can be found in the appendix as Exhibit 1.

With the OCR Scanner and Remit 32 software, Department of Finance would count a batch of 50 payment envelopes, open the envelopes, take out the check and coupon with the amount of tax due, make sure the amount paid matched the dollar amount on the check, and place the payment on the OCR Scanner machine for processing. The coupon and the payment are

then scanned into the machine. The Remit 32 software caught errors between checks and the amount due. This scanned document is saved in the OnBase database software system. The database file records the property, as paid for City taxes, and a copy of the file, with a picture of the check, is sent to the bank for depositing.

PHOTOS 1 AND 2
OCR Scanner/Remit 32

If an error was caught between the check and the dollar amount due, both the coupon and payment would have to be returned to the resident. Sometimes only one check is used for several properties owned by the same resident. In those instances, a Department of Finance employee would tally by hand to confirm. If inaccurate, all items are returned to the resident. Either situation results in more time needed for handling and processing.

There were limitations to the OCR/Remit 32 system. It was a fast scanner, which means that it must read a MICR line at the bottom of the bill and check to capture the data. The printing of the MICR line had to be of a specific text type, size, and specific ink in order to capture the data on the bill, and the paper had to be of a specific weight, or the scanner could jam, skip items, or not read the information properly. The OCR/Remit 32 was limited in the number of batches that could be handled in a day: 99. According to the assistant tax supervisor, "during the busy time we averaged around 70 to 80 batches" daily. These limitations and the advancement of technology had the finance administration looking for a newer machine that could process tax payments with more versatility.

Non-Real Estate Tax Collection Equipment

Before 2017, the Department of Finance collected and processed six of the 13 total City taxes: business, parking, local services, institution and service privilege, amusement, and non-resident sports facility usage fee. These non-real estate taxes were collected, processed, and recorded in-house using the ISAT tax accounting system.

This system was 25 years old and obsolete. ISAT was not compatible with the city's OnBase system that captures images of documents. As a result, the city's Innovation and Performance (I&P) Department had to adjust Onbases's DocPOP application for ISAT users to allow the view of images from OnBase. According to the Assistant Director of Finance, DocPop "allows users to view existing documents using a simplified Web Client viewer interface, without any extra OnBase functionality or access. This can be useful or necessary in a workflow process to allow individuals the ability to see the document in question."

New OPEX FalconV+ Machine

In June 2017, the decision was made to purchase a replacement tax processing machine using optical character recognition (OCR) for non-real estate taxes. This data collection system machine is called OPEX FalconV+. For purposes of this report, the OPEX Falcon+ will only be called the OPEX machine. Conversations with current staff indicate they were told this new machine would improve efficiency and ease of processing tax payments. As a result, the new equipment was purchased. The long-term plan for the OPEX machine was to purchase another for real estate processing.

The auditors requested information that would support the decision to purchase the OPEX machine, but none was available. It was stated that the then-Finance Director was guided by the Assistant Finance Director's experience, observation, and recommendation and approved the purchase of the equipment.

Finding: Documentation supporting the purchase of the OPEX was unavailable from the Department of Finance.

PHOTO 3
CITY REAL ESTATE TAX BILL PROCESSOR
OPEX FalconV+
Envelope Opening, Image Scanning, and Storage

PHOTO 4
CITY REAL ESTATE TAX BILL PROCESSOR
OPEX FalconV+
Envelope Opening Section

Second OPEX Machine Purchased

The Remit 32 software license expired unintentionally. As a result, the Department of Finance Administration moved ahead to purchase a second OPEX machine at the end of 2019 to process real estate taxes. The machine was received and paid for in 2020. Current Finance Department employees stated that no one asked for their input and experiences in operating the OCR/Remit 32 system, or what changes were needed for a more efficient system. As a result, the new system was not designed for real estate.

Finding: By eliminating the Remit 32 tax processing machine, the city saves money on maintenance fees. The maintenance costs associated with the new OPEX machine for the years 2019-2022 was $10,330, $10,540, $10,710, and $12,545 respectfully, totaling $44,125 as stated in the city's contract.

RECOMMENDATION 2:

Before advertising a Request for Proposal (RFP), the Finance Department Administration should require that employees who have work related insight be consulted regarding any large system-changing equipment. The Office of Management and Budget (OMB) should verify that department directors consult employees with the requisite experience. This would aid in writing the requirements of the RFP and ensure all processing needs are being met with the new purchase.

OPEX Advantages

There are several advantages to the OPEX machine over the OCR/Remit 32. The most important difference is the ability to separate tax payments from the MICR line. This allowed the parks tax to be combined into one bill, eliminating issuing two separate bills. Another difference is that it automates the process of opening the envelopes by eliminating the need for it to be done manually and increasing the number of batches processed. The OPEX machine can be configured to capture any information needed from the bill or any other document as well as be configured to scan items/paper of different weight and sizes, including envelopes. It also catches errors as well during the validation process. Only validated payments are batched and deposited to the bank.

In the future, the OPEX can allow the Finance Department to potentially process mailed payments for new taxes or other types of bills the city collects without changing equipment. According to the assistant director of finance, "Overall, the [OCR/] Remit 32 [system] is faster, but the OPEX [machine] is less sensitive and more versatile."

Both systems used the same process to scan, verify, and deposit checks. The OPEX machine's imaging went into an RTLFiRST Software system file, which is the software system for the OPEX machine, instead of OnBase which is what the city uses. The Finance Department had to wait for the city's I&P department to make the RTLFiRST file compatible with OnBase.

Human Handling

No matter what machine the Finance Department uses, there is still a significant amount of human involvement necessary. When bills are returned with tax payments, they have to be fed into the new machine by hand. Even the new OPEX machine, which opens the envelopes, requires the envelopes be fed into the system. Regarding the 2021 backlog, the auditors were told it was quicker to have people open the envelopes by hand rather than using the machine.

Finding: The new equipment bought to process tax payments still needs a significant amount of human attention and involvement.

Cost of the Two OPEX Processing Machines

The auditors obtained copies of invoices for the two new OPEX machines from the vendor, RT Lawrence (RTL). The first machine was purchased in June 2017 for a cost of $75,660 plus $9,865 for annual support services. In addition to these expenses, there was $41,250 for the RTLFiRST Software system the machine operates under, along with $6,912.50 costs for annual support services. This totals $133,687.50. The second machine was purchased in July 2020 at the cost of $91,150 plus $7,000 for RTLFiRST Software system and $5,000 for support services totaling $103,150. A copy of the invoices can be found in the Appendix.

The following quote is from Finance's operations manager, explaining that the purchase of the second OPEX had always been part of a greater strategy that was made prior to 2020:

"It is important to clarify, we had both systems; OPEX (purchased prior to my tenure) and Remit 32 (much older system). OPEX was only managing business tax as Phase 1, but it was always intended to reconciled systems in our area to reduce cost and increase capabilities. OPEX support direct integrations and automation, which also aligned with the new tax system (IMPACT) implementation needs. The cost below shows the Remit 32 maintenance expense for the last six years. This expense was eliminated by reconciling system."

The IMPACT system will be discussed later in this audit.

Decision to Convert to New Online Tax System

Contract for New Business and Real Estate Tax Management System

Since 2017, the Department of Finance administrators knew they needed a better tax accounting system other than ISAT. An RFP for a professional service was announced for a new tax management system, and, initially, eGov Solutions LLC was awarded a ten-year contract in 2018 in the amount not to exceed $4,010,820.72. The estimated cost in 2018 was $183,154 which the city made three payments for a total of $180,000 for scope of work, project plan, and contract execution.

According to the finance assistant director, it was eventually determined that the RFP requirements were not detailed enough, and eGov would not be able to meet the city's needs.

The contract was cancelled. Another RFP was issued, and CSS, Inc. was chosen through the standard procurement process for a system called IMPACT. Beginning September 1, 2021, the new business tax management system (IMPACT) was implemented at a cost of $4,186,577 (not to exceed $5,000,000). Because of COVID, training on the new IMPACT system was done remotely for finance employees. This system was built initially for hospital operations.

Currently, the City's <u>real estate taxes</u> are being processed with their own real estate tax accounting system that uses the OPEX scanning machines. These machines scan an image of the bills, tax documents, and check payments. The OPEX machine uses RTL software to match the data collected by the scanners on the bills/forms (i.e., account number, tax type, tax account number, amount due, business or individual name) to the data collected from the check payments (bank account number, routing number, check amount, endorsement). Once the data is verified by the system, a file containing check images is sent to the bank for electronic deposit. A data file containing the tax account information is sent to the tax accounting system: for business tax, the tax accounting system is IMPACT which replaced ISAT. According to the assistant finance director, the real estate tax accounting system will be replaced by IMPACT soon. The plan was to accomplish this by March 2022, but it has been pushed back until the business tax issues are solved.

Apparently, IMPACT is also not compatible with OnBase. So, once again, I&P installed a software system using DocPOP that allowed users to click on a button to access OnBase without leaving the IMPACT system.

The auditors reviewed the Finance's RFP for the Integrated Self-Assessed Business Tax & Real Estate Tax Revenue Management System (RFP #19000077) and found that it specifically requested for OnBase compatibility, stated as follows:

Page 12, #20: Solution to integrate with Document Management System
Staff has the ability to view images View image of bill that taxpayer
submitted and any other documentation associated with account

Page 14, #7 Solution to integrate with the City's Document Management
System and allow taxpayers to upload documents to the application

The auditors found that the RFP required that the new system had to be compatible with OnBase yet they were told that the new system wasn't compatible with OnBase. The acting director was contacted to verify if this was true. The acting director responded:

"The issue was with EDocs who manages OnBase, not CSS. A solution for image integration had to be developed for ISAT as well, called DocPop, which is not a direct link to OnBase through an API connection from what I understand. This is taken from (EDocs) email to the Operations Manager:

Yesterday we started some of the research required to accomplish this task based off of the emails from the operations manager. The URL he was provided is a path to an internal server and no way is that ever going to work for them. The Authentication has to

happen first and again the current DocPop call from ISAT works because it is all on internal Servers with already authenticated personnel.

The first item that changes everything is the fact that the IMPACT software will be cloud based and not hosted on City servers in the City network environment. The reason DocPop worked with ISAT is because the software and the users are already authenticated into the City network."

Figure 2 shows the remittance process for the OPEX machine using the RT Lawrence software and IMPACT tax accounting systems. This is a visual display to explain the complex integrations that happen in the backend.

Figure 2
OPEX/RTL/IMPACT Process
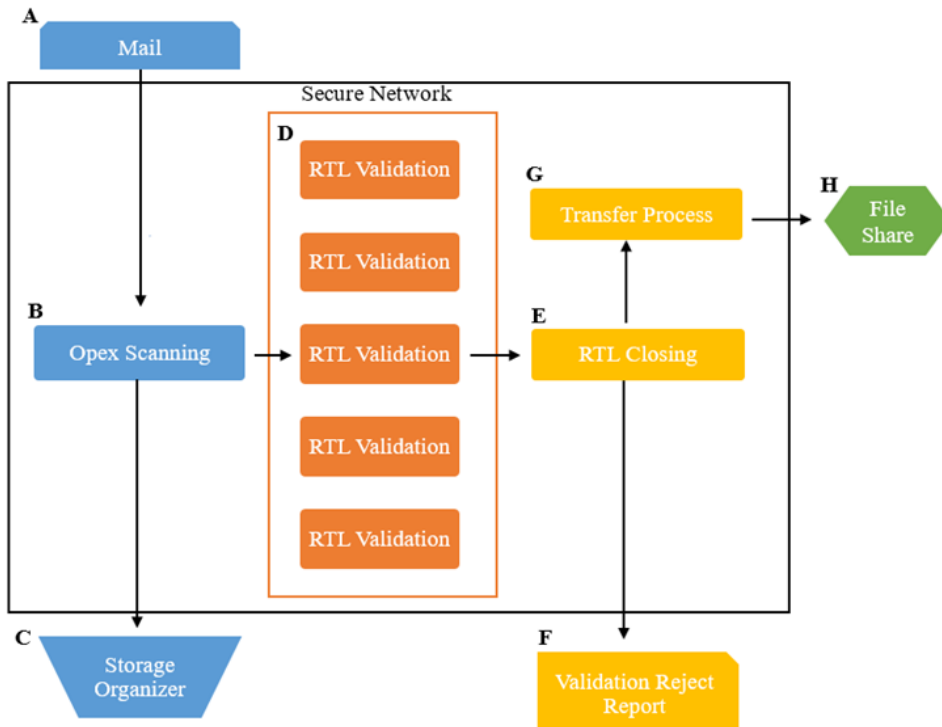
Figure 2 (CONT'D)
OPEX/RTL/IMPACT Process
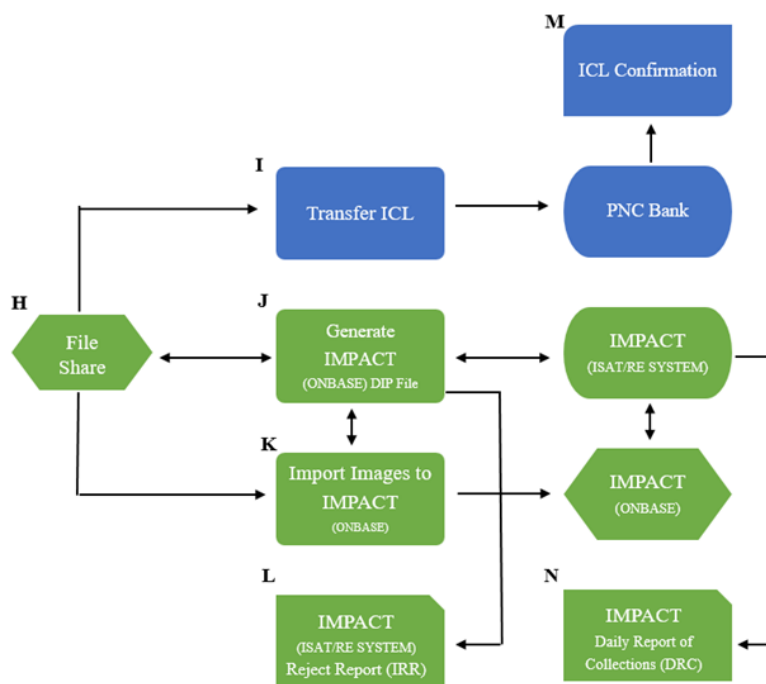
Source: Finance Department

IMPACT Implementation

The auditors were told that staff members received four weeks of online training and an additional two weeks if needed. Employees had to become familiar with the new system and adjust to it.

Additionally, to complicate matters, I&P implemented a new telephone system which was installed and went live on August 23, 2021 without staff training. While necessary, employees were not consulted on the new phone system and how it would change operations. Investigating this new phone system is outside the scope of this audit, but this phone system was implemented one week before the new tax system IMPACT was activated. This caused even more burden on finance staff.

Finding: Lack of staff training on the new business tax system made things confusing for both taxpayers and staff.

RECOMMENDATION 3:

The Finance Department administration should make sure that taxpayers are notified when payment systems are changing, and that the department staff are properly trained in how the system works. The staff could then quickly answer questions for taxpayers and make everyone more comfortable with the transition.

City's Online Real Estate Tax Payments

The city allows tax payment(s) to be paid online by American Express, Discover Card, Mastercard, or Visa or by electronic check. The cost to use a debit card is 2% of the total bill value plus $0.25 per transaction charge. The Electronic Check (E-Check) is a flat fee of $0.50 per transaction.

Allegheny County vs. City of Pittsburgh Online Payments

The auditors investigated the online tax payment systems of both the city and the County. Allegheny County's system is more user friendly than the City of Pittsburgh's. With the city system, there is no option available that does not require a fee to be paid. With Allegheny County online system, if an e-check is used for payment there is no charge.

The County's tax payment system also allows taxes to be paid by debit or with a credit card. When their Visa Debit card is used there is a flat service fee of $3.95. Credit cards are also accepted for a service fee of 2.35% of the amount paid. The minimum fee is $1.95.

Both the city and county allow a property owner to make a payment for multiple parcels in one transaction. The only requirement is that the property's lot and block number must be known. Both systems require the property to be paid in full.

Finding: Allegheny County's tax payment system is more user friendly than the City of Pittsburgh's online payment system. The County's system offers the property owner the ability to make payments free of charge for one or more properties.

RECOMMENDATION 4:

The City of Pittsburgh's Department of Finance administration should explore making their own tax payment website more efficient and user-friendly at less cost. It might be beneficial to investigate sharing the Allegheny County tax payment system.

A more user-friendly online tax payment system would discourage users from mailing checks, which would alleviate the workload for Finance staff as well as deposit monies directly into the city account.

Positive Actions in 2021

Most of the delays in processing real estate, school, Carnegie Library, and parks taxes were unforeseeable. Given the pandemic and staffing situations the Finance Department did as much as they could, as fast as they could. The Finance Department management decided to utilize an existing system that could process and deposit checks immediately by contacting a bank and obtaining a lockbox for assistance. This decision provided the quickest most effective solution, but it took time to establish.

Finding: The best solution to increase the time to process tax payments, given the circumstances, was to contract with a bank for a lockbox to process payments. This took two months to accomplish.

RECOMMENDATION 5:

The Finance administration should be commended for making the best of a "perfect storm" situation. The administration's ability to respond quickly to staff shortages, extra billing and processing of real estate checks, by getting help with extra lockboxes allowed the department to process the backlog of checks. If this had not been done, check processing might have been delayed until 2022.

RECOMMENDATION 6:

The Department of Finance administration and the city administration should prepare an emergency plan for any future incidences where bills cannot be timely processed. This would use the pandemic experience as a blueprint for any future problems. For instance, a standby lockbox contract with one of the banks should always be available. This would save time if they were needed again.

In 2021, the lockboxes cost the city $30,167.77. While it was an added expense, the price was offset by fewer employees to pay. The lockboxes are still in use in the 2022 tax collection season. According to the acting director, "(the lockboxes) are still in use, and we are going to leave them open for at least the first billing just in case. We are in the process of interviewing for more remittance personnel in order to properly staff that area for the volume. Also, the parks tax will not be billed separately next year (in 2022)-it will be on the same bill as the other real estate taxes which will decrease the volume substantially."

Finding: The Department of Finance is staying ready to prevent any delays in taxes processing in 2022 by keeping the lockboxes available, hiring new people, and keeping people safe with pandemic protocol.

APPENDIX

City of Pittsburgh 2021 Tax Bill (Front)

City and School District of Pittsburgh Real Estate / Carnegie Library Taxes	REAL ESTATE TAXES - 2021		
BILL DATE 12/01/21	CURRENT YEAR TAXES		1,440.73
	INTEREST THRU 12/31/21		
ACCOUNT NUMBER	TOT DUE BY 12/31/21		1,440.73
	FOR OFFICE USE ONLY	PROPERTY LOCATION	
	ENTER AMOUNT PAID		

RETURN THIS PORTION WITH YOUR PAYMENT - DO NOT FOLD, STAPLE OR MUTILATE.
DO NOT USE PHOTOCOPY OF THIS BILL WHEN REMITTING PAYMENT.

✂ -

↑ Detach along perforated line ↑   Keep this portion for your records - A receipt WILL NOT be issued.

CITY AND SCHOOL DISTRICT OF PITTSBURGH
REAL ESTATE TAX AND CARNEGIE LIBRARY TAX

THE AMOUNT DUE ON THIS BILL REPRESENTS
UNPAID 2021 PROPERTY TAXES FOR THE
CITY, SCHOOL AND CARNEGIE
LIBRARY OF PITTSBURGH. PAYMENTS MADE
AFTER NOV. 19TH MAY NOT BE DEDUCTED
FROM THIS BILL. PLEASE PAY IN FULL TO
AVOID COLLECTION AGENCY PLACEMENT
OUR OFFICE: 412-255-2525 OR
RealEstateTaxInfo@pittsburghpa.gov

MAKE CHECK PAYABLE AND MAIL TO:

TREASURER, CITY & SCHOOL DISTRICT OF PITTSBURGH
REAL ESTATE TAXES
414 GRANT ST
PITTSBURGH, PA 15219-2476

FOR CREDIT CARD PAYMENT INFORMATION,
PLEASE SEE REVERSE SIDE.

ACCOUNT NUMBER			
PROPERTY LOCATION			
CURRENT FAIR MARKET VALUE AS OF	12/01/21		78,900
	CITY	SCHOOL	LIBRARY
LAND	20,100	20,100	20,100
BUILDING	58,800	58,800	58,800
MILLAGE	8.060	9.950	.2500
HOMESTEAD REDUCTION			
SENIOR TAX RELIEF REDUCTION			

ITEMIZED BREAKDOWN OF CITY, SCHOOL AND CARNEGIE LIBRARY TAXES				
Tax Year: 2021	CITY	SCHOOL	LIBRARY	TOTAL
CURRENT YEAR TAXES	635.94	785.06	19.73	1,440.73
INTEREST THRU 12/31/21				
TOTAL OF LINES 1 AND 2	635.94	785.06	19.73	1,440.73

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City of Pittsburgh 2021 Tax Bill (Back)

CITY AND SCHOOL DISTRICT OF PITTSBURGH REAL ESTATE TAX / CARNEGIE LIBRARY TAX

CHANGE OF MAILING ADDRESS AND CORRESPONDENCE

Please address all correspondence and address changes to:
City and School Treasurer's Office
Real Estate Division
414 Grant Street
Pittsburgh, PA 15219-2476

Include your account number and a day time phone number on all correspondence.

This request cannot be used to change the owner's name on your tax bill - ONLY THE MAILING ADDRESS

IMPORTANT TAX INFORMATION - PLEASE READ!

TO INSURE PROMPT AND PROPER CREDITING, WRITE THE ACCOUNT NUMBER ON YOUR CHECK AND MAIL YOUR PAYMENT AT LEAST 5 DAYS BEFORE THE DUE DATE. **DO NOT** MAIL CASH.

NEITHER FAILURE TO RECEIVE NOR RECEIVING A LATE BILL WILL RELIEVE THE PROPERTY OWNER OR AGENT FROM PAYING THE TAXES OR ANY INTEREST WHICH BECOME DUE.

A $30.00 FEE WILL BE ASSESSED FOR CHECKS RETURNED FROM THE BANK FOR ANY REASON.

IF YOU ARE PAYING DELINQUENT TAXES AND IT IS AFTER THE DUE DATE ON THE BILL, PLEASE CONTACT THE REAL ESTATE TAX OFFICE FOR THE CORRECT AMOUNT TO BE PAID. INTEREST IS COMPUTED AT A SIMPLE RATE OF .833% PER MONTH (1 0% PER YEAR) ON THE TAX AMOUNT DUE.

RECEIPTS
RECEIPTS WILL BE ISSUED FOR CASH PAYMENT ONLY. NO RECEIPT WILL BE ISSUED FOR ANY PAYMENTS MADE BY CHECK OR BY MAIL A STATEMENT SHOWING ALL PAYMENTS MADE DURING THE YEAR WILL BE MAILED TO YOU IN SEPTEMBER IF YOUR CURRENT YEAR TAXES ARE PAID IN FULL.

To Pay by Credit Card/Debit Card or Electronic Check
Visit www.pittsburghpa.gov/finance
or call toll free 844-254-5285
Jet Pay Payment Services. the service provider. charges a nominal fee for this service.

VISA   MasterCard   DISCOVER   Card

INSTALLMENT PAYMENT PLAN FOR 2020 TAX YEAR

FIRST INSTALLMENT DUE	MARCH 2, 2020*
SECOND INSTALLMENT DUE	APRIL 30, 2020
THIRD INSTALLMENT DUE	JULY 31, 2020

A 2% DISCOUNT IS ALLOWED ON EITHER THE FIRST INSTALLMENT PAYMENT OR ON THE FULL YEAR'S TAXES IF PAID BY **FEBRUARY 10, 2020**. IF YOU MAKE A PAYMENT OF LESS THAN ONE INSTALLMENT OR IF NO PAYMENT IS RECEIVED BY MARCH 2, 2020, THE ENTIRE YEAR BECOMES DELINQUENT AS OF MARCH 3, 2020 AND YOU LOSE THE OPTION OF PAYING YOUR ACCOUNT ON THE INSTALLMENT PLAN.

A 2% DISCOUNT IS ALLOWED ON THE FIRST INSTALLMENT PAYMENT ONLY IF PAID ON OR BEFORE FEBRUARY 10, 2020. THE 2ND AND 3RD INSTALLMENT PAYMENTS ARE DUE AT THE GROSS AMOUNT. IF YOU ELECT TO PAY MORE THAN THE FIRST INSTALLMENT, BUT LESS THAN PAYMENT IN FULL BY MARCH 2, 2020, PLEASE BE ADVISED THE PAYMENT WILL BE APPLIED AS FOLLOWS: ENTIRE FIRST INSTALLMENT IS PAID - BALANCE OF MONEY IS APPLIED TO THE THIRD INSTALLMENT. IF THE PAYMENT COVERS THE FIRST AND SECOND INSTALLMENT IN FULL YOU WILL RECEIVE THE SECOND INSTALLMENT BILL IN APRIL WITH A DUE DATE OF JULY 31, 2020. NOTE: THE EXTENDED DUE DATE APPLIES **ONLY** TO TAXPAYERS WHO PAY TWO INSTALLMENTS **IN FULL**. NO DISCOUNT IS AVAILABLE ON THE SECOND INSTALLMENT PAYMENT. IF THE SECOND INSTALLMENT IS NOT PAID, ALL AMOUNTS DUE BECOME DELINQUENT AND YOU LOSE THE OPTION OF PAYING YOUR ACCOUNT ON THE INSTALLMENT PLAN.

BILLS MAY BE PAID AT THE CITY TREASURER'S OFFICE, CITY-COUNTY BUILDING OR BY MAIL.

PLEASE DIRECT ALL CORRESPONDENCE AND/OR QUESTIONS TO:

CITY & SCHOOL TREASURER'S OFFICE
REAL ESTATE TAX DIVISION
414 GRANT ST.
PITTSBURGH, PA 15219-2476

BILLING INQUIRIES - 412-255-2525
EMAIL: RealEstateTaxInfo@pittsburghpa.gov
REAL ESTATE OFFICE HOURS: 8:15 AM - 4:30 PM MONDAY THRU FRIDAY
CASHIER WINDOWS OPEN: 8:15 AM - 4:00 PM MONDAY THRU FRIDAY

1-16-20_v3

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OPEX Cost Proposal

TAB D: COST PROPOSAL

> **Proposal for RTLFiRST Remittance Processing Software Solution with OPEX Falcon RED Scanner**

Client Name:	City of Pittsburgh
Address:	Office of Management and Budget, City-county Building Room 502, Pittsburgh, PA 15219
Attention:	Thoryn Simpson, Senior Procurement Analyst
Phone:	(412) 255-2458
Email Address:	Thoryn.simpson@pittsburghpa.gov
Date:	June 1, 2017
RTL Account Executive:	John Phillips

PRICING

Part Number	Description	Qty	List Price	Annua Suppc
	Hardware			
OPX-FCN	OPEX Falcon RED Scanner	1	$38,100.00	$6
OPX-MICR	MICR + (Plus)	1	$4,850.00	$
OPX-ATIP	One (1) Audit Trail Inkjet Printer	1	$550.00	
OPX-MPID	Multi-Page Type ID Assist Tower	1	$1,050.00	$
OPX-BRCD	1-D Barcodes, Suite of Barcodes	1	$860.00	$
OPX-M72	OPEX Model 72 Extractor	1	$28,950.00	$2
INS-DYO	Installation - 1 day Onsite (OPEX Certified Technician)	1	Incl	
	Freight Charges		$1,300.00	
	Sub-Total		$75,660.00	$9
	RTLFiRST Software			
CAR-02	A2iA CAR/LAR Engine (1 Million Checks/Year)	1	$3,500.00	$
OPX-02	Opex Connect - Process Module	1	$7,000.00	$1
PRC-02	RTLFiRST Process Module	1	$9,000.00	$1
MOP-02	Initial Operation (1st Operation) - Property Tax	1	Incl	$
SVR-02	One-Operation Specialist/Verification Lic (1 User) Conc Lic	1	$3,500.00	$
VRF-02	One-Operation Verification License (1 User) Conc Lic	1	$3,500.00	$
VRF-02	One-Operation Verification License (3 Users) Conc Lic	3	$9,750.00	$1
CUS-LKPL	Real-Time Look up Lite (lookup by accnt & by name and address)	1	$5,000.00	$1

[Handwritten notes:]
$ 9865.00 Annual Support
$ 46250 RTL Software
$ 6912.50 annual support

**RTLFiRST Remittance Processing Solution Proposal
with Opex FalconV+ RED Scanner with 5 Bins**

Client Name: City of Pittsburgh
Address: 414 Grant Street Pittsburgh, PA 15219
Attention: Nereida Polanco
Date: July 30, 2020
RTL Account Executive: John Phillips

Pricing

Part Number	Description	Qty	List Price	Ar Su
	Hardware			
OPX-FCN	OPEX FalconV+ RED (with 5 bins)	1	$50,800	
OPX-MICR	MICR + (Plus): Includes MICR Reader and Image Edge	1	$4,850	
OPX-ATIP	One (1) Standard Rear Inkjet Printer	1	$625	
OPX-MID	Multi-Page Type ID Assist Tower	1	$1,050	
OPX-BR1	1-D Barcodes, Suite of Barcodes	1	$860	
OPX-BR2	2-D Barcodes, (Data Matrix)	1	$1,015	
OPX-M72	Model 72 Base Machine with Top Milling Cutter	1	$31,000	
INS-DYO	Installation - 1 day Onsite (OPEX Certified Technician)		Incl	
	Freight Charges		$950	
	Sub-Total		$91,150	
	RTLFiRST Software			
OPX-02	Opex Connect - Process Module for 1 OPEX Scanner	1	$7,000	
	Sub-Total		$7,000	
	RTL Services			
	Planning, Implementation, Installation,Testing & Training Services		$5,000	
	Sub-Total		$5,000	
	PROJECT GRAND TOTAL		$103,150	

Plus applicable taxes

Pricing is Valid for 60 days from Date of Proposal

- 50% of the Project Amount Due Upon Order $51,575 + tax
- Remaining 50% of the Project Amount Due Upon Installation $51,575 + tax
- 100% of Annual Support Due NET 30 upon Onsite Installation $13,130 + tax

CITY OF PITTSBURGH
DEPARTMENT OF FINANCE
CITY-COUNTY BUILDING

April 19, 2022

Michael Lamb, City Controller
First Floor, City-County Building
414 Grant Street
Pittsburgh, PA 15219

RE: Performance Audit of Finance Real Estate Tax and Parks Tax Collection

Dear Controller Lamb,

Listed below is the department's written response to the Findings & Recommendations discussed at our exit conference held on Monday, April 18, 2022.

Recommendation #1: In anticipation of any new legislation that would affect operations, the Finance Department administration should work with City Council about staffing and equipment concerns. In turn, City Council needs to ensure that the impacted department(s) have adequate funding to comply with new legislation in an efficient and effective manner.
Response: Agree.

Recommendation #2: Before advertising a Request for Proposal (RFP), the Finance Department administration should require that employees who have work related insight be consulted regarding large system-changing equipment. The Office of Management and Budget (OMB) should verify that department directors consult employees with the requisite experience. This would aid in writing the requirements of the Request for Proposal and ensure all processing needs are being met with the new purchase.

Response: The Finance Department agrees to consult the needs of staff before issuing an RFP for equipment that would impact their daily work. Additionally, staff representatives will be requested to participate in the evaluation and selection of proposals to RFP's that impact their specific duties.

Recommendation #3: The Finance Department administration should make sure that taxpayers are notified when payment systems are changing, and that the department staff are properly trained in how the system works. The staff could then quickly answer questions for taxpayers and make everyone more comfortable with the transition

Response: Upon the implementation of additional phases of the new tax system, the Finance Department will notify the taxpayers. Currently, processes and procedures are being updated to further aid as training tools and resources to better acclimate staff to the new tax system.

Recommendation #4: **The City of Pittsburgh's Department of Finance administration should explore making their own tax payment website more efficient and user-friendly at less cost. It might be beneficial to investigate sharing the Allegheny County tax payment system.**

Response: The current tax payment website will be integrated with the new tax system in the form of a user on-line portal as part of an upcoming phase in the on-boarding project. The result should yield a more user-friendly experience. Exploring payment processors that are of less cost to taxpayers will be considered as part of the procurement process when the current contract is expiring.

Recommendation #5: **The Finance administration should be commended for making the best of a "perfect storm" situation. The administration's ability to respond quickly to staff shortages, extra billing and processing of real estate checks, by getting help with extra lockboxes allowed the department to process the backlog of checks. If this had not been done, check processing might have been delayed until 2022.**

Response: All of the Finance Department staff should be commended for their tireless efforts to process payments and answer taxpayer inquiries and complaints under a harsh set of circumstances, until there was eventual relief from the opening of the lockboxes clearing the backlog.

Recommendation #6: **The Department of Finance administration and the City administration should prepare an emergency plan for any future incidences where bills cannot be timely processed. This would use the pandemic experience as a blueprint for any future problems. For instance, a standby lockbox contract with one of the banks should always be available. This would save time if they were needed again.**

Response: The Department of Finance has increased staff in the processing area, and kept lockboxes open to ensure that no backlogs occurred in 2022. Going forward, options are being explored to better align staff to cover in case of staffing shortages, as well as potentially adding banking solutions to the depository RFP that could be implemented quickly in an emergency to account for backlogs.

If you require additional information, please contact me.

Sincerely,

Jennifer Gula
Acting Director/Treasurer

cc: Rachael Heisler, Deputy Controller
Gloria Novak, Performance Audit Manager
Ian Fitzgerald, Operations Manager
Aaron Pickett, Real Estate Manager
Deb Gmys, Assistant Real Estate Manager