

**KRATZENBERG & ASSOCIATES, INC.,  
d/b/a KEYSTONE COLLECTIONS GROUP**

**Report on Keystone Collections Group's Description of its  
Tax Collection System, the Suitability of the Design and  
Operating Effectiveness of its Controls**

**System and Organization Controls ("SOC") Report – SOC 1, Type 2**

**FOR THE PERIOD JULY 1, 2020 to JUNE 30, 2021**



## TABLE OF CONTENTS

### SECTION I

Independent Service Auditor's Report .....	1
--	---

### SECTION II

Keystone Collections Group's Assertion .....	5
--	---

### SECTION III

#### Keystone Collections Group's Description of Its Tax Collection System

Organization .....	8
Overview of Services .....	8
Scope of Report.....	9

#### Relevant Aspects of the Control Environment, Risk Assessment Process, Information and Communication Systems and Monitoring Controls

Control Environment .....	10
Risk Assessment Process.....	11
Information and Communication Systems.....	11
Monitoring Controls .....	12

Tax Collection Controls.....	12
------------------------------	----

#### Information Technology General Computer Controls

Computer Operations.....	21
Information Security .....	23
Change Management.....	25

Complementary Subservice Organization Controls .....	26
--	----

Complementary User Entity Controls.....	27
---	----

### SECTION IV

Keystone Collections Group's Control Objectives and Related Controls and Boyer & Ritter LLC's Tests of Controls and Results of Tests .....	28
--	----

### SECTION V

#### Other Information Provided By Keystone Collections Group

Business Continuity and Disaster Recovery.....	48
--	----

## **INDEPENDENT SERVICE AUDITOR'S REPORT**

Board of Directors  
Kratzenberg & Associates, Inc.  
d/b/a Keystone Collections Group  
Irwin, Pennsylvania

### ***Scope***

We have examined Kratzenberg & Associates, Inc.'s, d/b/a Keystone Collections Group, description of its tax collection system throughout the period July 1, 2020 through June 30, 2021, the suitability of the design and operating effectiveness of controls to achieve the related control objectives stated in the description, based on the criteria identified in Keystone Collections Group Assertion. The controls and control objectives included in the description are those that management of Keystone Collections Group believes are likely to be relevant to user entities' internal control over financial reporting, and the description does not include those aspects of the tax collection system that are not likely to be relevant to user entities' internal control over financial reporting.

Keystone Collections Group uses First Data, a subservice organization for the processing of taxpayer credit card transactions. The description includes control objectives and related control objectives of Keystone Collections Group and excludes the control objectives and related controls of the subservice organization. The description indicates that certain control objectives specified by Keystone Collections Group can only be achieved if complementary subservice organization controls, assumed in the design of Keystone Collections Group's controls, are suitably designed and operating effectively, in conjunction with related controls of Keystone Collections Group. Our examination did not extend to controls of the subservice organization, and we have not evaluated the suitability of the design or operating effectiveness of such complementary subservice organization controls.

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 Keystone Collections Group's controls are suitably designed and operating effectively, along with related controls at the service organization. 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.

### ***Service Organization's Responsibilities***

In Section II of this report, Keystone Collections Group 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. Keystone Collections Group is responsible for preparing the description and for the assertion, including the completeness, accuracy, and method of presentation of the description and the 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; and designing, implementing and documenting controls 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. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform our examination to obtain reasonable assurance about whether, in all material respects based on the criteria in management's assertions, 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 July 1, 2020 through June 30, 2021.

An examination of a description of a service organization's system and the suitability of the design and operating effectiveness of the service organization's controls to achieve the related control objectives stated in the description 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 those controls to achieve the related control objectives stated in the description, based on the criteria in management's assertions. Our procedures included assessing the risks that the description is not fairly presented, and the controls were not suitably designed or operating effectively to achieve the related control objectives stated in the description. Our procedures included testing the operating effectiveness of those controls that we considered necessary to provide reasonable assurance the related control objectives stated in the description were achieved. An examination engagement of this type includes evaluating the overall presentation of the description and the suitability of the control objectives stated therein, and the suitability of the criteria specified by the service organization as described in Section III of this report. We believe the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

### ***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 errors or omissions in processing or reporting transactions. 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 inadequate or fail.

### ***Other Information***

The information in Section V of management's description of the service organization's system, "Other Information Provided by Keystone Collections Group," that describes Keystone Collections Group's business continuity and disaster recovery plan, is presented by management of Keystone Collections Group to provide additional information and is not part of Keystone Collections Group's description of its tax collection system made available to user entities during the period July 1, 2020 to June 30, 2021. Information about Keystone Collections Group's business continuity and disaster recovery plans has not been subjected to the procedures applied in the examination of the description of the tax collection system and of the suitability of the design and operating effectiveness of controls to achieve the related control objectives stated in the description of the system and accordingly, we express no opinion on it.

### ***Opinion***

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

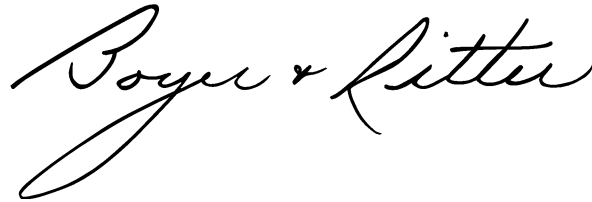
- a. The description fairly presents the tax collection system that was designed and implemented throughout the period July 1, 2020 through June 30, 2021.
- b. The controls related to the control objectives stated in the description were suitably designed to provide reasonable assurance the control objectives would be achieved if the controls operated effectively throughout the period July 1, 2020 through June 30, 2021, and subservice organization and user entities applied the complementary controls assumed in the design of Keystone Collections Group's controls throughout the period July 1, 2020 through June 30, 2021.
- c. The controls operated effectively to provide reasonable assurance that the control objectives stated in the description were achieved throughout the period July 1, 2020 through June 30, 2021, if the complementary subservice organization and user-entities controls assumed in the design of Keystone Collections Group's controls operated effectively throughout the period July 1, 2020 through June 30, 2021.

***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.

***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 management of Keystone Collections Group, user entities of Keystone Collections Group's tax collection system during some or all of the period July 1, 2020 through June 30, 2021, and the independent auditors of such user entities, who 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 misstatements of user entities' financial statements. This report is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Boyer & Ritter". The script is fluid and cursive, with the ampersand being a simple cross-like symbol.

Camp Hill, Pennsylvania  
October 5, 2021



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### **Keystone Collections Group's Assertion**

We have prepared the description of Keystone Collections Group's tax collection system for processing transactions for user entities of the system during some or all of the period July 1, 2020 through June 30, 2021, and their user auditors who have a sufficient understanding to consider it, along with other information, including information about controls implemented by the subservice organization and user entities of the system themselves, when assessing the risks of material misstatements of user entities' financial statements.

Keystone Collections Group uses First Data, a subservice organization for the processing of taxpayer credit card payments. The description includes only the control objectives and related controls of Keystone Collections Group and excludes the control objectives and related controls of the subservice organization. The description indicates that certain control objectives specified in the description can only be achieved 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 organization.

The description indicates that certain control objectives specified in the description can only be achieved if complementary user entities' controls assumed in the design of the tax collection system'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 tax collection system made available to user entities of the system during some or all of the period July 1, 2020 through June 30, 2021, for processing their transactions. The criteria we used in making assertions were based on the description:
  - a. That presents how the system was designed and implemented to process relevant transactions made available to user entities, including:
    - i. The type of services provided, including, as appropriate classes of transactions processed.

- ii. The procedures, within both automated and manual systems, by which services are provided, including, as appropriate, procedures by which transactions are initiated, authorized, recorded, processed, corrected as necessary, and integrated into the reports presented to user entities of the system.
  - iii. The information used in the performance of 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 integrated into the reports and other information presented for user entities.
  - iv. How the system captures and addresses significant events and conditions, other than transactions.
  - v. The process used to prepare reports or other information provided to user entities of the system.
  - vi. The services performed by the subservice organization including whether the carve-out method or inclusive method has been used in relation to them.
  - vii. The specified control objectives and controls designed to achieve those objectives, including as applicable, complementary user entities' controls assumed in the design of the service organization's controls.
  - viii. Other aspects of our control environment, risk assessment process, information and communication systems (including the related business processes), control activities, and monitoring controls that are relevant to processing and reporting transactions of user entities of the system.
- b. Does not omit or distort information relevant to the scope of the tax collection system, while acknowledging that the description is prepared to meet the common needs of a broad range of user entities of the system and the independent auditors of those user entities, and may not, therefore, include every aspect of the tax collection system that each individual user entity of the system and its auditor may consider important in its own particular environment.
- c. The description includes relevant details of changes to the service organization's system during the period covered by the description when the description covers a period of time.



2. The controls related to the control objectives stated in the description were suitably designed and operated effectively throughout the period July 1, 2020 through June 30, 2021, to achieve those control objectives if the subservice organization and user entities applied the complementary controls assumed in the design of the tax processing system's controls throughout the period July 1, 2020 to June 30, 2021. 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 the service organization.
  - b. The controls identified in the description would, if operating as described, 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.

## **Keystone Collections Group's Description of Its Tax Collection System**

### ***Organization***

Keystone Collections Group ("Keystone" or "the Company") is a tax billing and collection agency serving municipal governments and public-school districts throughout Pennsylvania. The Company has grown consistently during each year of its 34-year history. The Company's management has maintained controlled growth during recent periods of business expansion, with its expressed intent of ensuring the Company sustains its quality standards as it increases its client base and support personnel.

Keystone has 9 offices and a separate mail facility in Pennsylvania, with its headquarters located at 546 Wendel Road in Irwin, Pennsylvania. Headquarters and nearby Banco facility house multiple key components of payment processing, digital scanning, tax accounting, customer service center, senior legal division, core department supervisors, as well as the firm's executive management. The information technology ("IT") center is part of the corporate center.

Approximately, 200 professionals and trained support staff cover multiple disciplines in accounting, law, technology, and customer relations. Keystone administers current collection and delinquent recovery in the following taxes and governmental fees: earned income, local services, business privilege and mercantile, occupational, real estate, per capita, and amusement taxes; and water, sewage, refuse and storm water management fees. Keystone's business structure contains separate divisions covering payment-processing technologies, legal enforcement and taxpayer and client services. These various divisions are each designed to integrate with - and support - the other divisions as well as complement each of their separate component services towards reaching an overall higher level of combined service performance.

### ***Overview of Services***

The Company operates with proprietary technology for tax payment processing, automation and accountability. In addition, Keystone operates an online tax filing system on its website at [www.KeystoneCollects.com](http://www.KeystoneCollects.com). Its secure online earned income tax reporting system for individual taxpayers uses the trade name *e-File*. Taxpayers may file as individuals or create a combined return with primary and secondary taxpayer status, adding the necessary supporting document information from W-2 forms and tax schedules. Moreover, tax preparers may file multiple individual returns for their clients. Taxpayers may pay taxes online via electronic check, ACH Debit/Credit, and credit cards. Paid tax preparers regularly use Keystone's system to file and pay taxes on behalf of their taxpayer clients.

Businesses may also report and pay withheld employee local income taxes online via Keystone's Web-based Business Portal system. This system provides filers the capability to pay online with ACH credit, ACH debit, paper check and credit card options. Similarly, taxpayers may pay real property tax and per capita tax online via Keystone's *e-Pay* tax invoice payment system or taxpayers may alternatively submit payment by mail, or in person by check payment.

## **Keystone Collections Group's Description of Its Tax Collection System**

### ***Overview of Services, Continued***

KNET is Keystone's integrated office productivity suite developed in a SharePoint model to track the assignment and resolution of Internet and online inquiries from taxpayers, employers, payroll companies and municipal and school district officials, as well as internal staff inquiries and internally targeted education addressing points of Company interest and operation.

The Law Department at Keystone is structured with two objectives: (1) Company compliance under federal, state and local tax laws and regulations, and (2) taxpayer/employer taxation compliance, audit and delinquent recovery enforcement. The Law Department attorneys actively pursue delinquent earned income tax ("EIT") via reported tax data analysis, coupled with legal enforcement (court) actions, including civil, bankruptcy, and judgment execution and wage-attachment proceedings.

Keystone provides toll-free telephone access to taxpayer service representatives, who are trained and monitored in addressing taxpayer and employer inquiries. Oversight of taxpayer service includes real-time monitoring of taxpayer calls in progress, monitoring of telephone call statistics during the business day, and recording of specified caller detail information. Municipal, school district, and other government officials' inquiries are directed to specially trained Client Services Department representatives for response.

Keystone has secured income tax collector bond coverage in compliance with its statutory and contractual needs from an A.M. Best Company-rated provider (Excellent-A).

### ***Scope of Report***

The scope of the report includes certain control objectives related to the tax collection process and the supporting applications, including the Tax and Collections System ("TaCS"), which is used for tax return processing and the online services suite of applications, which includes the following:

- *e-File* - Used for filing individual tax returns and quarterly estimates.
- Business Portal - For employers to file employee withholdings.
- *e-Pay* - For payment of tax invoices: real estate, per capita, occupation tax and storm water management fees.
- *KeyTRAC* - For school districts, municipalities, and clients to review collection reports and to securely upload information to Keystone.
- Keystone Secure Link ("KSL") - For employers to transmit tax information securely to Keystone.

## **Relevant Aspects of the Control Environment, Risk Assessment Process, Information and Communication Systems and Monitoring Controls**

### ***Control Environment***

#### **Organization**

Keystone's Executive Management Team provides the strategic direction for the Company and is responsible for managing areas of operations within the Company. Members of the board of directors are part of the Executive Management Team, including the president, general counsel, and vice president of operations. The Senior Management Team of the Company includes, the vice president of client relations, director of IT, operations manager, associate general counsel, taxpayer services manager, client services supervisor, and the human resources manager. The Executive and Senior Management Teams handle direct management of daily operations and supervise the employees of the Company.

<u>Individual</u>	<u>Position</u>
Thomas Kratzenberg	President
Joseph W Lazzaro	Vice President and General Counsel
David Kratzenberg	Vice President of Operations
Rose Harr	Vice President of Client Relations
Matt Berkebile	Director of IT
Deanne Rymarowicz	Operations Manager
Jennifer L Miller	Manager of Taxpayer Service
Jayson J Lawson	Manager of Business Development
Christopher Vincent	Associate General Counsel
Crystal Topolnak	Client Services Supervisor (Acting)
Angela Woods	Human Resources Manager

The Company is separated into the following functional departments for operational purposes:

**Processing Department** - Mailing systems, payment processing, document scanning/imaging, return verification, form design, banking and print-and-mail operations.

**Information Technology** - Networking, software development, data conversion, communication systems, data security, data backup and Web management.

**Law Department** - Delinquent collections; TaCS audit; judgment execution; wage attachment (delinquent EIT and delinquent per capita tax recovery); rent attachment (delinquent real estate tax recovery); special counsel case coordination; Act 20 delinquent real estate tax, Act 192 delinquent EIT compliance, and Act 32 current EIT compliance; bonding and insurance; intellectual property protection; web compliance; data protection; human resource and employment law; state government relations.

## **Relevant Aspects of the Control Environment, Risk Assessment Process, Information and Communication Systems and Monitoring Controls**

### ***Control Environment, Continued***

**Taxpayer Services** - Taxpayer phone assistance, call monitoring, call wait-time control, branch office operations, manual data entry and credit card payment acceptance.

**Client Services** - Address inquiries and requests of political subdivision (“PSD”) officials and tax collections committee (“TCC”) delegates, relating to all tax types administered by the Company, including but not limited to, development of special reports and projects. Prepare and release public relations and public information communications for and on behalf of PSD officials.

**Human Resources** - Management makes every effort to hire qualified candidates and has policies and procedures in place to vet employees prior to hiring. Credit and background checks are completed for new employees, and prospective employees are required to sign a nondisclosure and confidentiality agreement prior to commencing employment. Additionally, employees are required to sign a statement of acknowledgement and compliance with the employee handbook, which details policies concerning Internet usage, email usage, maintenance of and adherence to policies designed to protect confidential taxpayer information, and acceptable uses of the technology systems.

An organizational chart and job descriptions, which describe the job functions and responsibilities for employees, were designed and placed in operation. Job descriptions, which include position summaries and describe major duties and responsibilities, are developed by the department managers and supervisors and approved by executive management. Employees are cross-trained to ensure sufficient backup personnel are prepared in the event of unexpected illness, termination, resignation, or promotion at the firm.

### ***Risk Assessment Process***

The Executive Management Team meets weekly to discuss risks to the Company. Management identifies and evaluates risks to the business and prioritizes the responses to these risks based on legal, environmental and technology changes. This process is documented in the Executive Management Team meeting minutes.

### ***Information and Communication Systems***

#### **Tax and Collections System (“TaCS”)**

TaCS is the in-house application utilized by Keystone for processing EIT, real estate tax and per capita tax on behalf of municipalities and school districts in the Commonwealth of Pennsylvania. It is designed and compiled in-house by Keystone. The application is written in VB and C#, with Microsoft Visual Studio and Team Foundation Server for the development environment and source repository. The application operates on Microsoft Windows Server with Microsoft SQL Server as the database software. The servers are operated from the headquarters location.

## **Relevant Aspects of the Control Environment, Risk Assessment Process, Information and Communication Systems and Monitoring Controls**

### ***Information and Communication Systems, Continued***

#### ***e-File, Business Portal, and e-Pay: Online Reporting and Payment Applications***

*e-File* and Business Portal are the respective Web applications that allow individuals and businesses in Pennsylvania to report and pay their earned income taxes online. Similarly, *e-Pay* is the Web application that allows residential and commercial real property owners and per capita taxpayers to pay their respective taxes online. Each system is designed and compiled in-house by Keystone. The applications are written in C# and .NET, with Microsoft Visual Studio and Team Foundation Server for the development environment and source repository. Keystone uses First Data for the credit card processing section of the website. The input of credit card data is passed directly to First Data. No credit card information is stored by the application. Customers can file and pay their taxes using credit cards, ACH debit/credit cards, or an electronic debit from their checking account. Like individual taxpayers, businesses may alternatively mail a paper check for income tax withheld from employee payroll.

### ***Monitoring Controls***

Management obtains an annual external financial statement audit by an independent certified public accounting firm. Executive management regularly monitors the performance of the Company through weekly executive and staff meetings. Management interacts with user entities on a regular basis and provides regular reporting of system activity to these user entities. Detailed minutes and agendas are maintained for all executive and senior management meetings to document management's decision-making process and the monitoring of the Company. Executive management comprises members of the board of directors; therefore, the owners of the Company are directly involved in oversight monitoring and day-to-day operations.

Keystone receives and reviews the SOC 1, Type 2 report of First Data on an annual basis. In addition, through its daily operational activities, management of Keystone ensures reconciliations of credit card payments are performed daily to assist in monitoring the controls implemented at the subservice organizations are functioning effectively.

## **Tax Collection Controls**

### ***Monitoring Controls, Continued***

Keystone's primary business is to collect taxes, process tax returns and invoices, pay tax refunds, and remit the collected taxes to the municipalities and public-school districts that are members of the tax collection districts ("TCD"), as well as to non-member political subdivisions. For earned income tax collections, the process begins with the input of tax withholdings and payments, proceeds to processing of quarterly and annual tax returns (e.g. W-2 data and other required tax filing data either in electronic or paper format) and completes the process with the distribution of funds and reports to user entities. For real estate tax collections, the process involves acquisition of parcel data from the designated county source provider, assessed millage from designated locality, tax bill generation, bill payment processing from either electronic or paper submission from the taxpayers, revenue distribution and preparation of collection reports for user entities. For per capita tax collections, the process involves tax roll data acquisition and maintenance, tax bill generation, tax exoneration administration, bill payment processing from either electronic or paper submission from residents, revenue distribution and preparation of collection reports for user entities.

### **Earned Income Tax Return, Real Estate Tax Bill and Per Capita Tax Bill Processing**

Individual taxpayers have the ability to choose one of two alternatives for submitting Earned Income Tax Returns to Keystone: electronic filing ("*e-File*") or manually filing a paper return. Real property owners have the ability to either mail payment to the tax officer (in one lump sum or several allowed installments) or pay the invoice electronically ("*e-Pay*"). Likewise, per capita taxpayers have the ability to either mail payment to the tax officer or pay the invoice electronically ("*e-Pay*"). The *e-File* system allows the income taxpayer to file electronically, via Keystone's online tax filing system once an account is created and approved through Keystone's website. The *e-File* system requires a taxpayer to input their last name and Social Security number in order to file and pay their taxes. Payment must be provided or scheduled at time of e-filing; this protocol prevents the filing of invalid returns in the system. Once electronic returns are submitted, the *e-File* software automatically flags returns for manual review, based upon refund thresholds and estimated quarterly payment overrides by the taxpayer.

Business Portal allows businesses to file employer quarterly returns online. The initial authentication to the system requires a business to validate business name, address, Federal Employer Identification Number ("FEIN"), and email address. A Business Portal account begins with the creation of a login. Upon completion, the individual businesses are registered to the account. To register a business to the account, the business name, FEIN, PSD and address are required.



## **Tax Collection Controls**

### **Earned Income Tax Return, Real Estate Tax Bill and Per Capita Tax Bill Processing, Continued**

The real property owner and the per capita resident taxpayer can pay the tax bill via Keystone's online *e-Pay* system at any point after the tax invoice is generated. The *e-Pay* system requires a taxpayer to input the invoice number as it appears on the tax bill. The *e-Pay* system will look up the invoice based upon the invoice number entered by the taxpayer and present the user with appropriate payment choices: full payment or partial installment based upon taxing authority designated options. User's payment must match amount due on the invoice. Amount due will increase at fixed calendar designation intervals (from the discount rate to the face tax rate to the late penalty rate). The user is provided with a fixed time frame within which to make payment once the taxpayer commences system usage, so as to ensure payment acceptance at the appropriate invoice amount.

The *e-Pay* system is used as the payment "shopping cart" for Keystone's online tax collection applications.

Manually prepared and submitted tax returns, real property tax payment stubs, and per capita tax payment stubs are scanned through the image scanning system by an operator. Once scanned, two levels of review are performed on the data: the first level of review identifies the form being scanned and the second level of review is performed to ensure the data on the identified form has been read and scanned correctly by the image scanning system. For EIT, the system validates the form is completed and the data input into the form is accurate. These reviews are integral to the quality assurance process at Keystone.

After EIT data is input and processed through the automated review process for both filing alternatives, the data is transferred to the Tax and Collection System ("TaCS"). TaCS validates each return input of the scanning system using a proprietary algorithm and verifies the tax return is calculated correctly. Exceptions identified by the application are manually reviewed. Additionally, TaCS automatically flags and halts processing of duplicate tax returns.

### **Payment Processing**

All payments received by mail are assigned unique batch and control numbers, stamped with a receipt date, and scanned into the remittance processing system. Written quality control procedures require operators to inspect check images, confirming the dollar amount of the check agrees to the amount indicated on the payment voucher. Once the batch is manually verified, the process is completed, and monies sent to the bank for deposit.

A check processing operator converts the previous day's batch to a Check 21 ICL file, which is electronically remitted to the bank. The check processing operator compares the previous day's batch totals to the Check 21 ICL totals to ensure complete and accurate processing. All inbound ACH payments, check payments (ICL files) and cash deposits are reconciled on a daily basis before approval of posting by Keystone's banking coordinator.



## **Tax Collection Controls**

### **Payment Processing, Continued**

ACH credit transactions submitted from online tax payments, tracked by *Payee Positive Pay*, are automatically reconciled to the online transaction system.

Online credit card transactions submitted for tax payments are automatically reconciled to the online transaction system and deposited into Keystone's bank account by a third-party software utility.

### **Geocoding and Mapping Confirmation**

Geocoding is a system-generated process that uses a taxpayer's physical address to determine the geographic coordinates (using longitude and latitude). The TaCS software has the capability to automatically determine, verify, and validate the appropriate political subdivision ("PSD") for an individual earned income taxpayer based on the geographic coordinates of the physical address. The Pennsylvania Department of Community & Economic Development ("DCED") maintains the geocode location of each PSD through the Municipal Statistics website. The PSD code is legislatively mandated by Pennsylvania Act 32 of 2008. Taxpayers are encouraged to utilize the municipal statistics website to determine their appropriate PSD codes based upon their physical address.

Once determined, verified and validated, the completion of the geocode process systematically updates the taxpayer's account in TaCS with the appropriate PSD code.

### **Compensation Earned**

Keystone enters into a contract with each of the member TCDs whose Tax Collection Committee ("TCC") has selected Keystone as its earned income tax Act 32 Tax Officer. During the contractual negotiations, Keystone proposes and negotiates a commission rate with each TCC. The commission rate is earned on resident tax collections within the TCD.

Designated administrators are informed of the applicable commission rates for each TCD from a member of the Executive Management Team. The database administrators maintain restricted access to the commission change module within TaCS. Commission rate change logs are monitored by the IT Infrastructure Manager.

Real estate tax collection contracts are entered into directly with each taxing authority that deputizes Keystone as the real estate tax collector pursuant to the *Local Tax Collection Law* at 72 P.S. §5511.22. Per capita tax collection contracts similarly designate Keystone as the per capita tax collector pursuant to the *Public-School Code* at 24 P.S. §§6-672 & 6-679 and the *Local Tax Enabling Act* at 53 P.S. §6924.301.1 (Act 511 of 1965).

Rather than commission based, compensation for real estate and per capita tax collection generally involves a fixed cost per bill or service, regardless of the amount of tax processed by Keystone.

## **Tax Collection Controls**

### **Quarterly EIT Return, Real Estate and Per Capita Tax Bills and Payroll Withholding Processing**

Keystone collects quarterly estimated earned income tax payments from individual taxpayers as well as employer quarterly withholding returns. When income tax is not withheld from the taxpayer's payroll at the place of employment, individual taxpayers have the ability to choose one of two alternatives for submitting earned income tax data to Keystone: electronic filing (*e-File*) or manually filing a quarterly estimate tax voucher. Likewise, when real property tax is not paid via mortgagee on behalf of property owner, real estate taxpayers have the ability to choose one of two alternatives for submitting and confirming timely real estate tax payment to Keystone: electronic filing (*e-Pay*) or manually submitting a check with the real estate tax bill voucher. Resident per capita taxpayers similarly have the ability to choose one of two alternatives for submitting and confirming timely per capita tax payment to Keystone: electronic filing (*e-Pay*) or manually submitting a check with the per capita tax bill voucher.

Earned income tax electronic filings require the taxpayer to submit their Social Security number along with their last name. Real estate and per capita tax electronic payments require the taxpayer to submit their tax bill invoice number. Individual filers using the *e-File* or *e-Pay* systems can submit payment utilizing an electronic check, ACH debit/credit, or credit card. Taxpayers mailing paper-based quarterly tax estimates are required to submit an earned income tax estimate voucher along with their tax payment. Taxpayers mailing paper-based real estate or per capita tax bills are required to submit the payment voucher from the tax bill. Keystone scans paper-based individual tax estimates and real estate and per capita tax bill vouchers in batches. Earned income tax estimated payments are reviewed manually by check processors who verify data fields are accurately input and processed.

Businesses that withhold the earned income taxes from their employees, through payroll withholdings, have two options available for their use: Business Portal electronic reporting or manually filing paper-based returns. Employers utilizing the Business Portal may submit their data via:

- Comma separated value ("CSV") upload
- Pennsylvania standard file format upload (.txt file)
- Manual input of data through an electronic portal

## **Tax Collection Controls**

### **Quarterly EIT Return, Real Estate and Per Capita Tax Bills and Payroll Withholding Processing, Continued**

Earned income tax cannot be submitted electronically via Business Portal unless the employer submits the following criteria:

- Employer PSD
- Federal Employer Identification Number ("FEIN")
- Employee name
- Employee PSD
- Employee Social Security number
- Employee address
- Gross wages
- Local income tax withheld

Employers filing employee earned income tax through the Business Portal are permitted to submit withholding payments utilizing credit card, voucher with paper check, or ACH credit/debit. Employers manually filing quarterly returns are assigned control numbers that link the tax payment to the appropriate employer return, as checks and returns are scanned separately. Once the check is processed, a processing specialist will input the employee information and withholdings to ensure the tax withholdings are credited to the proper taxpayers' accounts. TaCS has built-in automated controls that ensure withholding amounts are properly applied and applicable PSD code is used.

Real estate property owners and resident per capita taxpayers paying online through *e-Pay* must enter the tax bill invoice number to view the proper tax bill online. Taxpayer is permitted to submit payment utilizing credit card or ACH credit/debit. Real estate property owners and resident per capita taxpayers making manual paper payment must submit the tax bill payment voucher that includes the invoice control number to link the tax payment to the real estate parcel or to the resident taxpayer per capita account, respectively. TaCS has built-in automated controls to ensure payment amounts are accurate and applied to the proper account.

## **Tax Collection Controls**

### **Mandatory Reporting in Accordance With Pennsylvania Act 32 of 2008**

The DCED mandates the use of required reports (CLGS-32-7 and CLGS-32-7A) for earned income tax Act 32 Tax Officers. These reports must be issued to the appropriate TCD members by the 20th day of the subsequent month following the tax collection activity. These reports provide a summary of collection and disbursement activity performed by Keystone on behalf of the TCC and each individual member of the TCC.

Using automated controls in the TaCS application, Keystone prepares CLGS-32-7 and CLGS-32-7A reports to be used for reporting to TCDs and the respective members of the TCDs. These reports have been approved by DCED for compliance reporting purposes.

### **Mandatory Reporting in Accordance With Pennsylvania Act 169 of 1998**

The DCED mandates the use of a required report for deputized real estate tax collectors. The report must be issued to the appropriate taxing authority on a monthly basis setting forth the tax collection activity for the previous month. Reports provide a summary of collection and disbursement activity performed by Keystone on behalf of the taxing authority. The Act 169 Report is reconciled from the tax duplicate data (real estate tax bills) to the amount of tax remaining on bills awaiting payment. On an annual basis, the first monthly Act 169 Report shall provide the beginning balance of the collectable tax duplicate total as calculated from the current real property assessment (valuation) data provided to Keystone by the appropriate County government authority.

In addition to the DCED-mandated report, Keystone provides to the taxing authority a collection of detailed reports including:

- Real estate property parcel identifier (map number or unique lot and block designation)
- Owner name
- Account number
- Corresponding county control number
- Municipal or school district political subdivision code, as appropriate to governing body
- Face tax amount (assessment valuation multiplied by millage rate as adopted by the jurisdiction)
- Penalty amount, if within the penalty phase of the billing cycle according to the calendar designation
- Discount amount, if within the discount phase of the billing cycle according to the calendar designation

## **Tax Collection Controls**

### **Mandatory Reporting in Accordance With Pennsylvania Act 169 of 1998, Continued**

- Lien cost, if applicable
- Amount of tax collected by Keystone
- Amount of compensation withheld by tax officer, if any
- Amount disbursed to the governing jurisdiction
- Receipt number assigned to each payment transaction
- Date of account payment by taxpayer

When pertinent, Keystone provides to the taxing authority a per capita tax collection detailed report including:

- Tax amount collected during reporting period
- Number of accounts added to tax roll
- Number of accounts exempted from tax roll
- Account identifier (number assigned)
- Payment date
- Receipt identifier (number assigned)
- Tax Year
- Payment breakdown (face, discount, penalty, overpayment, underpay credit) by individual account

### **Taxpayer Reconciliation and Delinquent Taxes - Earned Income Tax**

On an annual basis, Keystone reconciles by comparative analysis the data in TaCS to the Pennsylvania Department of Revenue's ("PA DOR") taxpayer-submitted data. Keystone requests the electronic data from PA DOR, which includes the taxpayer's name, spouse's name, Social Security numbers, state filing status, address and data from Lines 1 and 4 of the PA-40 income tax return form. This information is imported directly into TaCS. Keystone initiates a geocode query on the addresses received from PA DOR to determine the taxpayers' local income tax rates. Using the local income tax rate and the income data, Keystone recalculates each taxpayer's earned income tax liability. An automatic process compares discrepancies between the PA DOR calculation and the tax liability originally processed by Keystone. An automated exceptions report is generated indicating discrepancies.

## **Tax Collection Controls**

### **Taxpayer Reconciliation and Delinquent Taxes - Earned Income Tax, Continued**

Keystone's Law Department and delinquent recovery division work together to review the discrepancy report and determine further actions to be taken to recover or otherwise resolve the delinquent liability. Typically, step one is to send an initial delinquency notice. If the delinquency is not resolved within a timely manner, a final notice is sent. Legal proceedings may occur when the final notice does not produce acceptable resolution of tax liability or apparent discrepancy.

### **Tax Duplicate Reconciliation and Exoneration of Unpaid Duplicates - Real Estate Tax**

On or about December 1, Keystone notifies subject real estate property owners that all or a portion of the real estate tax remains unpaid. The mailed notification includes the:

- Owner's name
- Keystone account number
- County parcel identification number
- Taxing authority name
- Tax balance due
- Due date
- An advisory to the taxpayer stating that accounts not paid in full will be turned over to the delinquent real estate property tax collector and will incur additional charges

### **Reconciliation and Settlement of Real Estate Accounts**

Unless the taxing district authorizes installment payments to be made after December 31, Keystone submits the final accounting of transactions through December 31, to the taxing district and releases the record of unpaid real estate tax accounts to the delinquent real estate tax collector, pursuant to 72 P.S. §5511.26. If the taxing district authorizes payments to be made after December 31, Keystone continues to receive and process these accounts in accordance with the calendar terms.

### **Real Estate Tax Disbursements to Political Subdivision Authorities**

Keystone disburses real estate tax revenues to its taxing authority clients on at least a weekly basis during all times of the year when real estate tax payments are being processed via ACH transfer. By specific agreement, certain jurisdictions request more rapid disbursements of real estate taxes (e.g. two-three times per week). In accordance with internal procedures, disbursement to the PSD occurs upon accumulation of a pre-determined dollar amount, which may result in multiple disbursements during a weekly or even daily basis.

## **Tax Collection Controls**

### **EIT Disbursements to Member and Nonmember Tax Collection Districts**

For earned income tax, Keystone remits payment to the PSDs of member tax collection districts and to the Tax Officers of nonmember tax collection districts based upon data obtained from TaCS automated output reports. Using IT logic and data maintained in TaCS, Keystone constructed in-house reports using PSD codes. Reports for nonmember tax collection districts are generated on a monthly basis and uploaded to a secure portal for the nonmember TCD. Keystone generates a paper-based check monthly to the nonmember TCD after the month-end reconciliation process is completed.

Member PSDs receive payment from Keystone on at least a weekly basis via ACH distribution. Each member of the TCC receives a monthly report detailing the monthly receipts and disbursement activity of the member TCC. Additionally, the TCC receives a monthly aggregate report covering the EIT transactions occurring in all jurisdictions of the TCD, as well as disbursements to and from other TCDs.

## **Information Technology General Computer Controls**

### ***Computer Operations***

#### **System Monitoring**

Automated software utilities are in place to monitor TaCS, *e-File* applications and underlying network and infrastructure supporting the applications. Monitoring is performed at the network, server and database levels for the systems. *e-File* is monitored from the internet to verify the web server is available. IT department personnel monitor the systems using their mobile devices and are notified of processing interruptions during and after normal business hours, 24/7/365.

Quarterly vulnerability assessments are performed by management who monitor the network and verify it is protected from unauthorized access. Scans are performed on the external network and at the application layer for the *e-File* and e-Pay systems. Management performs ad hoc internal scanning to verify patch management on the internal network is effective and operating properly.

## **Information Technology General Computer Controls**

### ***Computer Operations, Continued***

#### **Backup and Recovery**

Keystone has a backup policy in place that identifies the processes and actions required to backup organizational and user entities data. The backup policy is reviewed and approved by the executive management team on an annual basis. The policy encompasses internal data on the network, TaCS, and *e-File* applications. Incremental (differential) backups are performed on a daily basis to tape and are stored in a secure computer room at the headquarters in Irwin, Pennsylvania. Full backups are conducted weekly, and tapes are rotated off-site weekly for storage at a third-party service provider, Iron Mountain. Daily differential backups are performed for TaCS and *e-File* and are retained locally. A tape inventory is maintained indicating the location of all tapes on a SharePoint portal. Weekly tapes are rotated back into the cycle after a period of 12 weeks; and month-end backups are retained for a period of at least one year.

The IT department performs quarterly restoration tests to verify the efficacy of backup media and the integrity of data backups. Both file-level and database backups are performed as part of the restoration testing. Restoration testing is performed at a separate location to verify that site-level redundancy is in place.

Environmental controls are in place to protect the computer room at Keystone's primary processing facility. Critical systems within the facility, including IT infrastructure and key processing work areas, have uninterruptible power supply ("UPS") systems. The facility is equipped with a natural gas-based generator to power the systems during an extended power loss. The generator is tested on a weekly basis to verify it is functioning properly. The data center has a raised floor and temperature sensors to alert management in the event of a malfunction with the cooling systems. Handheld dry chemical fire extinguishers are in place throughout the computer room.

#### **Data Transmissions and Remote Access**

Keystone uses various methods to secure data transmissions with user entities, business partners, and taxpayers in the Commonwealth of Pennsylvania. The Data Access Policy specifies that transmission of confidential information must be protected using encryption when transmitted over public networks. Business partners are required to use KeyTRAC, which is protected using Secure Sockets Layer ("SSL") encryption to transmit records to Keystone. Employees of the Company are able to access the Company's systems remotely using Parallels RAS sessions. Parallels sessions are protected using both multi-factor authentication and 256-bit encryption, and the encryption is required to activate the session. Individual taxpayers must log on to the Secure Sockets Layer ("SSL") secured website when connecting to the *e-File* application to pay their taxes. Management has current SSL certificates for the public website.



## **Information Technology General Computer Controls**

### ***Information Security***

#### **Logical Access**

User administration policies are documented in the Data Access Policy, which is reviewed and approved by Executive Management on at least an annual basis. Keystone tracks access control requests, including new access requests, access changes and access terminations using a help desk ticketing system. Changes in user access are logged into the help desk system. Human resources submit access requests. Department supervisors determine the level of access required for a new employee or an existing employee commencing a new job position in the Company, and the request is fulfilled by the IT department. Termination requests are submitted initially by human resources and fulfilled by the IT department. Terminations for personnel in sensitive positions are followed up with a phone call or direct communication with the IT department in order to ensure the individual's access and physical proximity badge are revoked in a timely manner.

The primary method of access control at Keystone is Microsoft's Active Directory, which operates on a Microsoft Windows Server. Database security and access to the TaCS application is controlled through Active Directory group memberships. This is the primary method of access control for most business applications at the Company. Parallels-based thin clients are used at remote locations to reduce the storage of confidential data at Keystone's branch locations.

Automated authentication requirements are enforced by group policy for user accounts. Access requires a password with a minimum length of characters. Password complexity is enabled, passwords are set to expire after a pre-determined length of time, and a password history is retained. Accounts are locked out after invalid access attempts for a period time.

Group policies within Active Directory are used to enforce other security controls, including a screen saver timeout, after which a desktop locks and requires a username and password for access. In addition, employees are restricted by group policy from local administrative rights to reduce the risk that malware or unauthorized software can be installed on the local systems.

Access to TaCS, the document imaging system, and the MS SQL server database are integrated and controlled by Active Directory network login authentications. A check scanning system is in place and only authorized users are given access to the application. Privileged access (e.g., payment process, adjustment to accounts in TaCS, key configuration table update, etc.) to systems and applications is limited and controlled inside these applications. User and administrative accounts are not shared between users. Keystone uses internal IT resources for maintenance and support of the *e-File* systems.

## **Information Technology General Computer Controls**

### ***Information Security, Continued***

#### **Network Security**

Management has a detailed network diagram in place that identifies the location of key servers, firewalls, routers, switches and other network infrastructure. Keystone separates its internal network from the internet and other untrusted networks, such as vendor networks. High-risk inbound connections from the internet terminate in the demilitarized zone (“DMZ”) and are filtered through a reverse proxy. In addition, the firewalls have intrusion prevention system (“IPS”) features enabled to reduce the risk of attacks from the internet, and an inline IPS appliance is connected to the firewall. The system could detect attacks from the network through the application layer of the OSI reference model to reduce the risk of attacks on the *e-File* and e-Pay systems and other internet-facing resources managed by the Company.

#### **Physical Access**

A management approved physical security policy is in place. Access to the front door at the headquarters is monitored by a receptionist, while access to the Banco facility, and all other doors at headquarters, is controlled by proximity badge readers. Access to sensitive areas such as the processing area (Banco facility) and the computer room (headquarters) is limited to authorized personnel via key reader badges. Escorts are provided for visitors within all facilities. Terminated employees are required to return their magnetic keycard prior to exiting the facility, and the card's access areas are immediately removed. Processing personnel operate around-the-clock shifts, and access to data input and processing areas is restricted to the processing and IT groups.

Keystone has cameras strategically located throughout the check processing area (Banco facility), data center (headquarters), and entrances and exits to all facilities. Cameras are enabled to record each stage of the check processing area. Designated individuals have access to view live and historic video footage.

## **Information Technology General Computer Controls**

### ***Change Management***

#### **Software Development Life Cycle**

The Software Development Policy and Procedures serve as Keystone's Software Development Life Cycle ("SDLC"). The policy is reviewed and approved by executive management on an annual basis and outlines the process for introducing new software and modifying existing operating software within Keystone's processing environment. The "Agile" or iterative approach to software development is used by Keystone. Projects are implemented and designed on a small scale to ensure that changes can be planned and deployed quickly to respond to various business needs that occur. This methodology provides a structured design process for larger changes to applications. TaCS, *e-File*, and *e-Pay* all fall under the requirements of Keystone Software Development Policy and Procedures.

Management has four separate database and application environments for the software development process. The development environment is where the initial code is tested and checked in for review. The quality assurance ("QA") environment is where code is moved after it is initially reviewed by developers. The user acceptance testing ("UAT") environment provides business operations personnel and management with a testing platform. Keystone supervisors and other personnel involved in operations test various components and dependencies of the application to verify that changes do not negatively impact the stability and functionality of the application.

#### **Source Repository**

Microsoft Team Foundation Server is used as the source repository. Versions of TaCS, *e-File* and *e-Pay* are given build labels in the source repository. Software developers do not have access to the production servers for TaCS and *e-File*. Access is controlled using Active Directory group membership. Software developers are not domain administrators and cannot grant themselves access to production. Production support personnel do not write software code or check code into the repository. Access to the production database is restricted for developers so as to prevent access to production data and stored procedures. Active Directory is used for database access and mixed-mode authentication is not enabled at the database level.

#### **Change Control**

A change management tracking system is in place using SharePoint. Management approves the deployment of new software releases. Dedicated environments exist for software development, QA, UAT and production. New builds are tested in QA and UAT prior to their deployment to production. Documentation of QA testing activities is informal; however, management's approval to deploy applications to production is documented in the change control records and ad hoc details of testing activities may be included in the records.

Changes to network infrastructure, servers and database platforms are tracked using the change controls system. Changes to these platforms are coordinated with customer service and application development personnel and are approved by management prior to deployment in the production environment.

## Complementary Subservice Organization Controls

Keystone Collections Group uses First Data, a subservice organization for the processing of taxpayer credit card transactions.

Keystone Collections Group's controls related to the tax collection system cover only a portion of overall internal control for each user entity of Keystone. It is not feasible for the control objectives related to recordkeeping services to be achieved solely by Keystone. Therefore, each user entity's internal control over financial reporting must be evaluated in conjunction with Keystone's controls and the related tests and results described in Section IV of this report, considering the related complementary subservice organization controls expected to be implemented at the subservice organization as described below.

	<i>Complementary Subservice Organization Controls (CSOCs)</i>	<b>Related Control Objective</b>
<b>First Data</b>		
1	First Data is responsible for ensuring all authorized transactions are processed and settled completely, accurately, timely, and only once.	CO 2
2	First Data is responsible for ensuring data files transferred to Keystone are complete and accurate.	CO 2
3	First Data is responsible for security of confidential credit card information and maintaining controls that meet the requirements of PCI DSS and ISO 27001.	CO 11

## **Complementary User Entity Controls**

Keystone's processing of transactions and the controls over the processing were designed with the assumption that certain controls would be placed in operation by user entities. Such controls are called complementary user entity controls. It is not feasible for all the control objectives related to Keystone's services to be solely achieved by Keystone control procedures. This section describes some of the controls that should be in operation at user entities to complement the controls at Keystone. User auditors should determine whether user entities have established controls to provide reasonable assurance that:

**CO 11 - User entities are responsible for notifying Keystone of any changes in employee roles or termination of employees with logical access to Keystone resources.**

Keystone may grant user entities' personnel access to transfer files or perform other actions to facilitate processing of municipal and school district tax collections. User entities must notify Keystone when an employee no longer requires such access or when an employee is terminated and access needs to be revoked.

**CO 4 & CO 6 - User entities are responsible for reconciling funds received to reports produced by Keystone.**

Keystone provides standard reports to member and nonmember tax collection districts. User entities must reconcile these reports to the actual payments received from Keystone to verify funds were distributed accurately and completely.

**CO 3 - User entities must notify Keystone of changes in their tax rate structures and validate these changes have been properly implemented by the system.**

Keystone's systems have the ability to calculate tax rates automatically, but the rates and rate changes must be communicated to Keystone by user entities accurately and in a timely manner. User entities must review and confirm tax rates being used by Keystone are accurate and applicable.

## **Keystone Collections Group's Control Objectives and Related Controls and Boyer & Ritter LLC's Tests of Controls and Results of Tests**

Keystone's control objectives and related controls are an integral part of management's description and are included in this section for presentation purposes. Boyer & Ritter LLC included the description of the tests performed to determine whether the controls were operating with sufficient effectiveness to achieve the specified control objectives and the results of tests of controls, as specified below.

Tests of the control environment, risk assessment, information and communication, and monitoring included inquiries of appropriate management, supervisory, and staff personnel; observation of Keystone's activities and operations; and inspection of Keystone documents and records. The results of those tests were considered in planning the nature, timing, and extent of Boyer & Ritter's testing of the controls designed to achieve the control objectives. As inquiries were performed for substantially all of Keystone's controls, the tests were not listed individually for every control in the tables below.

**Tax Collection Controls**

<b>Control Objective 1:</b> Controls provide reasonable assurance that data is being input completely and accurately into TaCS.		
<i>Provided by Keystone Collections Group</i>		<i>Procedures Performed by Boyer &amp; Ritter LLC</i>
<b>Control</b>	<b>Test performed</b>	<b>Test Results</b>
1.1 Automated input controls are built into the eFile, Business Portal, and e-Pay systems to validate the identity of taxpayers, businesses, and parcel identification enrolled to use the system and submission of tax payments.	<p>Inspected the eFile Individual system and verified input controls were in place for the Last Name and Social Security number criteria logins.</p> <p>Inspected the Business Portal System and verified input controls were in place for the following criteria login:</p> <ul style="list-style-type: none"> <li>• Username</li> <li>• Password</li> <li>• 3 questions with 3 answers</li> </ul> <p>Inspected e-Pay system and verified input controls are in place to validate Real Estate duplicate and Per Capita invoice number.</p>	No exceptions noted.

**Control Objective 1 (Continued):** Controls provide reasonable assurance that data is being input completely and accurately into TaCS.

<i>Provided by Keystone Collections Group</i>		<i>Procedures Performed by Boyer &amp; Ritter LLC</i>
Control	Test Performed	Test Results
1.2 The eFile Individual, Business Portal, and e-Pay Systems have automated input controls which verify correct character formats for the input fields used. Automated input controls prevent the input of incorrectly formatted or invalid information.	<p>Inspected the eFile Individual system output and validated input controls were in place for the following functions:</p> <ul style="list-style-type: none"> <li>• Last name</li> <li>• Social Security Number</li> <li>• Jurisdiction (PSD)</li> <li>• Payment criteria</li> </ul> <p>Inspected the system and verified that input controls were in place for the criteria identified to prevent the input of invalid or incorrectly formatted data into the system.</p> <p>Inspected the Business Portal system and verified input controls were in place for the criteria identified to prevent the input of invalid or incorrectly formatted data into the system. The following fields have input controls in place:</p> <ul style="list-style-type: none"> <li>• Collection Area = Keystone Collections Group</li> <li>• Employer PSD</li> <li>• Employer FEIN</li> <li>• Employee PSD</li> <li>• Employee Social Security Number</li> <li>• Employee Street Address (physical address)</li> <li>• Agreement of dollar amounts</li> </ul> <p>Inspected the system and verified the system-generated output and “failed” validations when invalid characters/data was input into the Business Portal.</p> <p>Inspected e-Pay system and verified the system-generated output validations when invalid invoice number is entered for Real Estate duplicate or Per Capita invoice.</p>	No exceptions noted.



<b>Control Objective 1 (Continued):</b> Controls provide reasonable assurance that data is being input completely and accurately into TaCS.		
<i>Provided by Keystone Collections Group</i>		<i>Procedures Performed by Boyer &amp; Ritter LLC</i>
<b>Control</b>	<b>Test Performed</b>	<b>Test Results</b>
1.3 The Business Portal Systems permit employers to upload files to TaCS through a website interface or secure SSH server. Employer files that do not comply with Keystone Collections Group definitions are rejected. The rejected user is notified via web console or email.	Observed Business Portal Upload features and functions. Inspected file upload, verifying validation messages generated during a failed upload due to errors in definition fields.  Observed a successful upload of data using proper definitions fields defined by Keystone Collections Group.	No exceptions noted.
1.4 Image quality and scan accuracy are monitored and maintained by quality control operators.	Observed quality control operators as they reviewed scanned images for missing and/or invalid data prior to submission to TaCS.  Observed quality control operators as they reviewed and verified proper classification of document types.  Inspected submitted tax return and ensured quality control operators review complied with the quality control procedure manual.	No exceptions noted.
1.5 County Real Estate data files are imported and validated for completeness.	Observed sample of county data files uploaded into the system and verified automated control totals are in place to ensure data was uploaded accurately and completely to create Real Estate Duplicates.  Inspected mailing query to ensure mailing of duplicates agrees to county data file parcel count.	No exceptions noted.

**Control Objective 2:** Controls provide reasonable assurance that tax payments are entered, processed, recorded, and reconciled timely in the TaCS and bank accounts.

<i>Provided by Keystone Collections Group</i>		<i>Procedures Performed by Boyer &amp; Ritter LLC</i>
<b>Control</b>	<b>Test Performed</b>	<b>Test Results</b>
2.1 Checks scanned into the remittance processing system are assigned a unique batch number, control number, and receipt date, ensuring complete and accurate recording in TaCS.	Inspected a batch sample of scanned checks through the remittance processing system and validated the system-assigned unique batch number, control number, and receipt date.	No exceptions noted.
2.2 During the image verification process, operators inspect check images to confirm the dollar amount on the check matches the amount indicated on the payment voucher.	Observed operators verifying the image amount on the check agrees to the amounts on the payment voucher.  Observed the operators compare the check and voucher to the data input in the business portal of the eFile system.	No exceptions noted.
2.3 Batch totals from the previous day are reviewed by the check processing operator and automatically converted into a Check 21 ICL file to be remitted to the bank. The check processing manager compares the batch totals to Check 21 ICL totals to ensure completeness of process.	Observed the check processing operator convert the remittance batch file to a Check 21 ICL file to be remitted to the bank and compare the batch totals to the Check 21 ICL file and manual deposit totals to verify the operator reviewed the files for completeness and accuracy.  Inspected a sample of daily check batch control reports and verified the totals of the check batches match the file transmitted to the bank for deposit.	No exceptions noted.
2.4 Inbound ACH payments, check payments and cash deposits are reconciled by the banking coordinator and reviewed by management on a daily basis.	Inspected a sample of daily reconciliations and verified that the ACH payments, check payments, and cash deposits were reconciled by the banking coordinator and reviewed by management on a daily basis.	No exceptions noted.

**Control Objective 2 (Continued):** Controls provide reasonable assurance that tax payments are entered, processed, recorded and, reconciled timely in the TaCS and bank accounts.

<i>Provided by Keystone Collections Group</i>		<i>Procedures Performed by Boyer &amp; Ritter LLC</i>	
Control		Test Performed	Test Results
2.5	SOC report is obtained and evaluated for third party credit card processor.	Inspected SOC report for First Data for the period of 10/01/2019 through 9/30/2020 and confirmed attestation reports are obtained and evaluated by management.	No exceptions noted.
2.6	Credit card transactions are automatically reconciled and deposited by a software utility that utilizes an authorization code and amount on a daily basis. Exceptions are investigated and resolved by management immediately.	Inspected a daily log of credit card transactions being input in the software utility and verified that the software automatically reconciled the cash transfer using the authorization code and amount in the Customer Service Portal.	No exceptions noted.
2.7	ACH credit transactions are tracked by positive pay and reconciled to the online transaction system on a daily basis. Exceptions are investigated and resolved by management immediately.  ACH credit transactions that do not match the tax liability are not processed; and are returned to sender in a timely manner.	Inspected a log of ACH positive pay transactions sent from the financial institution and verified the automated reconciliation of cash transfer to the transaction within the Customer Service Portal.	No exceptions noted.

**Control Objective 3:** Controls provide reasonable assurance that tax returns/remittances are processed and recorded completely and accurately.

<i>Provided by Keystone Collections Group</i>		<i>Procedures Performed by Boyer &amp; Ritter LLC</i>
Control	Test Performed	Test Results
3.1 Paper filed tax returns - Automated system level reviews verify tax remittance data agrees to the proper taxpayer's account. Missing data or invalid data is manually reviewed by an operator for quality control.	<p>Inspected the automatic evaluation and match process for filed tax remittance data to the taxpayer account identification in TaCS. Verified automatic check occurred properly for Keystone Collections Group generated remittance support.</p> <p>Observed quality control operators verifying the taxpayer account information during initial Image Verifier Process.</p> <p>Observed quality control operators review scanned images for missing and/or invalid data.</p>	No exceptions noted.
3.2 Paper filed tax returns - Automated edit checks are built into TaCS which verifies population of proper data fields; automated exceptions are triggered by criteria established by executive management.	Inspected report generated by the image scanning system after a return is input into the system. Verified the system properly identified errors with the scanned return prepared by taxpayer.	No exceptions noted.
3.3 Paper filed tax returns - Individual and Employer Quarterly - TaCS automatically validates individual quarterly tax estimates and employer quarterly withholdings. The payment amounts match the tax return and the amounts are credited accurately to the correct taxpayer's account.	<p>Inspected a sample of tax payments and corresponding transactional data and verified the following:</p> <ul style="list-style-type: none"> <li>• The payment received matched the totals calculated by TaCS.</li> <li>• The payment is credited to the correct taxpayer's account, as indicated on the return.</li> </ul>	No exceptions noted.

**Control Objective 3 (Continued):** Controls provide reasonable assurance that tax returns/remittances are processed and recorded completely and accurately.

<i>Provided by Keystone Collections Group</i>		<i>Procedures Performed by Boyer &amp; Ritter LLC</i>
<b>Control</b>	<b>Test Performed</b>	<b>Test Results</b>
3.4 Electronic Filer - Automated system-level reviews are built into the eFile and business portal systems, which flag tax returns for manual reviews based upon the system-level criteria.	Inspected the system output after entering a test transaction and verified automated system-level reviews are generated based upon system-level criteria (e.g. refund thresholds, estimated quarterly payment overrides by the taxpayer, employee wages, and earned income tax withholding, PSDs, etc).	No exceptions noted.
3.5 TaCS validates each return input into the system using a proprietary algorithm. The System verifies the tax return is calculated correctly. Exceptions identified by the application are reviewed by Advanced Tax Operators.	Inspected a "for testing purposes only" final return submitted into TaCS that included intentionally generated exceptions. Verified TaCS detected intentional exceptions, including mismatched data, invalid data, and other random exceptions.	No exceptions noted.
3.6 Taxpayer addresses are geocoded using an automated Geocode software.  Tax Collection District (TCD) member collections are routed to appropriate Political Subdivision (PSD).  Non-member Tax Collection District collections are routed appropriately to the non-member TCD's Tax Officer.	Inspected taxpayer record from the system and verified that the Political Subdivision (PSD) code was assigned by TaCS.  Inspected taxpayer record and compared the results from TaCS to the PA DCED's municipal statistics website and verified that TaCS accurately assigned PSD codes to taxpayers.	No exceptions noted.
3.7 Automated System level edit checks validate Real Estate tax payments agree to duplicate amounts and correct period (discount, face, penalty). Exceptions identified by the application are reviewed by Advanced Tax Operators.	Observed operators reviewing Real Estate tax payments being routed for manual review.  Inspected Real Estate deadline dates (i.e. discount, face, penalty) are accurately coded in the system per County guidelines.  Inspected e-Pay system, and verified unique Real Estate invoice numbers populate outstanding Real Estate tax balance due (i.e. correct period).	No exceptions noted.
3.8 Automated System level edit checks validate Per Capita tax payments agree to invoice amounts and correct period (discount, face, penalty). Exceptions identified by the application are reviewed by Advanced Tax Operators.	Observed operators reviewing Per Capita tax payments being routed for manual review.  Inspected Per Capita deadline dates (i.e. discount, face, penalty) are accurately coded in the system per taxing authority guidelines.  Inspected e-Pay system, and verified unique Per Capita invoice numbers populate outstanding Per Capita tax balance due (i.e. correct period).	No exceptions noted.

**Control Objective 4:** Controls provide reasonable assurance that distributions to members and non-members are processed completely, accurately, and in a timely manner.

<i>Provided by Keystone Collections Group</i>		<i>Procedures Performed by Boyer &amp; Ritter LLC</i>
Control	Test Performed	Test Results
<p>4.1 Member tax collection districts are provided reports (created using geocoding software) detailing distributions due to them from Keystone Collections Group.</p> <p>Payment to member TCD's agree to system generated distribution reports.</p>	<p>Inspected a member tax collection district report and compared it to manual queries against the TaCS database and verified that the reports accurately reflected the tax revenue collected for the month and the revenue was disbursed on a weekly basis for the member tax collection districts.</p>	No exceptions noted.
<p>4.2 Tax Officers of non-member tax collection districts are provided system generated reports (created using geocoding software) indicating distributions due to them from Keystone Collections Group.</p> <p>Checks distributed to non-member TCD's agree to system generated distribution reports.</p>	<p>Inspected a non-member tax collection district report and compared it to manual queries against the TaCS database and verified the reports accurately reflected the tax revenue collected for the month and the revenue was disbursed to the nonmember tax collection district at the end of the month.</p>	No exceptions noted.
<p>4.3 Municipalities and school districts are provided monthly system generated reports indicating Real Estate distributions due to them from Keystone Collections Group.</p> <p>Payments distributed agree to system generated reports.</p>	<p>Inspected a school district DCED report and compared it to manual queries against the TaCS database and verified the reports accurately reflected the tax revenue collected for the month and verified the revenue was disbursed to the school district in a timely manner.</p>	No exceptions noted.
<p>4.4 Municipalities and school districts are provided monthly system generated reports indicating Per Capita distributions due to them from Keystone Collections Group.</p> <p>Payments distributed agree to system generated reports.</p>	<p>Inspected a municipality DCED report and compared it to manual queries against the TaCS database and verified the reports accurately reflected the tax revenue collected for the month and verified the revenue was disbursed to the municipality in a timely manner.</p>	No exceptions noted.

**Control Objective 5:** Controls provide reasonable assurance that commissions earned for tax collection services rendered are complete and accurate.

<i>Provided by Keystone Collections Group</i>		<i>Procedures Performed by Boyer &amp; Ritter LLC</i>
Control	Test Performed	Test Results
5.1 Tax Commission rates between the TCDs and Keystone Collections Group are documented in the contract with the TCDs. TaCS is configured with the correct commission rates for each TCD.	<p>Inspected contractual agreement between the Tax Collector and selected Tax Collection Committee and verified that an authorized commission rate was documented.</p> <p>Inspected the commission rate in TaCS and verified it agrees with the authorized commission rate stated in the contractual agreement with the Tax Collection Committee.</p> <p>Inspected the configuration of TaCS and verified that access to make changes to commission rates was restricted to authorized personnel and logged by the system.</p>	No exceptions noted.
5.2 Automated controls in TaCS calculate commissions earned for tax collection services rendered completely and accurately.	Reperformed the commissions calculation for the TCD using raw data from the TaCS system and verified it matched the output reports provided to clients.	No exceptions noted.
5.3 Commission rate changes are restricted to authorized personnel.	Inspected access permissions in TaCS and verified only designated administrators have access to the commission change module.	No exceptions noted.

**Control Objective 6:** Controls provide reasonable assurance that tax collections and remittance reports, generated from TaCS, are issued completely and accurately.

<i>Provided by Keystone Collections Group</i>		<i>Procedures Performed by Boyer &amp; Ritter LLC</i>
Control	Test Performed	Test Results
6.1 Using IT logic and data from TaCS, Keystone Collections Group has constructed in-house CLGS-32-7 and CLGS-32-7A reports to be used for external reporting purposes.	Inspected TaCS generated reports of tax activity. Verified reports are complete and formatted to meet the PA Department of Community and Economic Development's (DCED's) report standards, CLGS-32-7, and CLGS 32-7A.	No exceptions noted.
6.2 Automated output controls in TaCS generate reports for member and nonmember tax collection districts and include the following information: <ul style="list-style-type: none"> <li>• The type of tax collected and processed, denoted by description and amount</li> <li>• The type of nontax-related receipt collected, earned, and processed, denoted by description and amount</li> <li>• The type of tax distribution processed, denoted by description and amount</li> <li>• The type of nontax-related disbursement processed, denoted by description and amount</li> </ul>	Inspected an automated report prepared by TaCS. Queried the TaCS database manually for each of the criteria identified and verified the data matched the reports produced by TaCS.	No exceptions noted.
6.3 Automated output controls generate monthly reports for each Municipality and School District to conform to DCED Form 169.	Inspected automated reports created by TaCS for Real Estate and Per Capita Tax. Queried TaCS database manually for each of the criteria identified and verified the data matched the reports produced by TaCS.  Inspected the logic in the automated report to ensure the accuracy and completeness of the DCED report.	No exceptions noted.
6.4 Real Estate Tax data turned over to each applicable County has system generated controls to ensure reported amounts turned over (e.g. unpaid) are complete and accurate.	Inspected a school district turnover letter, and verified the system generated DCED Form 169 and delinquent detail agrees to the turnover amount sent to the County.	No exceptions noted.



**Control Objective 7:** Controls provide reasonable assurance that delinquent taxpayer accounts are accurately identified during the PA Department of Revenue ("DOR") reconciliation process.

<i>Provided by Keystone Collections Group</i>		<i>Procedures Performed by Boyer &amp; Ritter LLC</i>
Control	Test Performed	Test Results
7.1 PA Department of Revenue (DOR) data is imported into TaCS. Automated IT logic and controls in TaCS verify geocoding of applicable PSDs.	<p>Observed the retrieval of archived data files received from the PA Department of Revenue (DOR) used for reconciliation of Revenue census data to the TaCS system.</p> <p>Selected a test taxpayer record and verified the PA DOR taxpayer information was properly imported into TaCS.</p> <p>Selected a test taxpayer record and viewed the taxpayer's TCD using the PA DOR website, and compared the result to the TaCS system to verify proper geocoding of PSD code.</p>	No exceptions noted.
7.2 The TaCS system flags delinquent accounts automatically upon completion of the PA DOR reconciliation process.	Inspected delinquent taxpayer information in TaCS and verified system identifies delinquent taxpayers automatically upon completion of the PA DOR reconciliation process.	No exceptions noted.
7.3 Keystone Collections Group's audit department reviews system-flagged delinquent accounts and forwards the appropriate information to Keystone's legal department, which determines the process for legal filings.	Inspected TaCS Audit Module which indicates delinquent taxpayer and resolution actions. Verified taxpayer was notified of delinquency and pending legal proceedings.	No exceptions noted.

**Control Environment Controls**

<b>Control Objective 8:</b> Controls provide reasonable assurance that personnel practices are in place to govern the hiring of new personnel.		
<i>Provided by Keystone Collections Group</i>		<i>Procedures Performed by Boyer &amp; Ritter LLC</i>
<b>Control</b>	<b>Test Performed</b>	<b>Test Results</b>
8.1 Background checks are completed for new employees.	Inspected a sample of new hire records and verified that background checks were completed.	No exceptions noted.
8.2 Employees are required to sign a confidentiality agreement.	Inspected a sample of new hire records and verified that confidentiality agreements were signed.	No exceptions noted.
8.3 Employees are required to sign an agreement stating that they read and understood the Employee Handbook, which includes acceptable use policies.	Inspected a sample of new hire records and verified that signed handbook agreements were on file.  Inspected the Employee Handbook and verified that it includes acceptable use details for email and internet.	No exceptions noted.

**Information Technology General Controls**

<b>Control Objective 9: Controls provide reasonable assurance that systems are monitored and issues are identified and resolved.</b>		
<b><i>Provided by Keystone Collections Group</i></b>		<b><i>Procedures Performed by Boyer &amp; Ritter LLC</i></b>
<b>Control</b>	<b>Test Performed</b>	<b>Test Results</b>
9.1 Automated software utilities are in place to monitor the TaCS and eFile systems, and the underlying network and infrastructure. Monitoring is performed at the network, server, and database level for the systems. The IT department is notified of issues detected via email or text message, based on the severity of the issue.	Inspected the monitoring systems for the network, database, servers, TaCS, and eFile applications and verified they were proactively monitored using automated software tools.  Inspected the configuration of the three primary monitoring systems used by Keystone Collections Group, and verified they were configured to automatically send alerts to the IT department via email and text message, based on the severity of the issue.	No exceptions noted.
9.2 Quarterly vulnerability assessments are performed by management to verify the network is protected from unauthorized access. Any critical, high risk, or medium risk issues are investigated by management and resolved.	Inspected a sample of quarterly vulnerability assessments, and verified they were completed and that medium, high-risk, and critical issues detected by the software were addressed by management, a timeline for correction was established, and issues were resolved.	No exceptions noted.

**Control Objective 10:** Controls provide reasonable assurance that data is backed up regularly and is available for restoration in the event of processing errors or unexpected processing interruptions.

<i>Provided by Keystone Collections Group</i>		<i>Procedures Performed by Boyer &amp; Ritter LLC</i>
Control	Test Performed	Test Results
10.1 A backup policy is in place that identifies the requirements for the types of backups to be performed, the frequency of backups, and the rotation of backup tapes. The policy is approved by the Vice President of Operations and the Director of IT Infrastructure.	<p>Inspected the backup policy and verified it detailed the following:</p> <ul style="list-style-type: none"> <li>• Types of backups performed</li> <li>• Frequency of backups</li> <li>• Rotation of backup tapes</li> </ul> <p>Inspected the backup policy and verified it was approved by management.</p>	No exceptions noted.
10.2 Critical systems, including the servers and databases for TaCS and online systems, are backed up on a daily basis to disk and tape.	Inspected the configuration of the backup software and verified the servers and databases for TaCS and online systems were configured to back up to tape on a daily basis.	No exceptions noted.
10.3 Backup tapes are rotated off-site on a weekly basis. Monthly tapes are retained for a period of three years.	Inspected a sample of weekly backup tapes and verified they were rotated to the off-site storage facility. Inspected the backup inventory and verified monthly tapes were retained for a period of three years.	No exceptions noted.
<p>10.4 Environmental controls are in place to protect the computer room at the processing facilities, including the following:</p> <ul style="list-style-type: none"> <li>• Uninterruptible power supply ("UPS") systems with generator backup</li> <li>• Temperature sensors</li> <li>• Handheld dry chemical fire extinguishers</li> <li>• Raised floors</li> </ul>	<p>Observed the following environmental controls in the computer room:</p> <ul style="list-style-type: none"> <li>• UPS systems and generator backup</li> <li>• Temperature sensors</li> <li>• Handheld dry chemical fire extinguishers</li> <li>• Raised floor</li> </ul>	No exceptions noted.

**Control Objective 11:** Controls provide reasonable assurance that data transmissions between the service organization and its user entities, and other outside entities, are being received from secure and authorized sources.

<i>Provided by Keystone Collections Group</i>		<i>Procedures Performed by Boyer &amp; Ritter LLC</i>
Control	Test Performed	Test Results
11.1 The Data Access Policy requires that data transmissions from taxpayers and business partners are encrypted.	Inspected the Data Access Policy and verified the Data Access Policy requires data transmissions from taxpayers and business partners are encrypted to reduce the risk of unauthorized access to the system.	No exceptions noted.
11.2 Remote access for employees requires both multi-factor authentication and an encrypted connection.	Inspected the configuration of the remote access system and verified it utilized multi-factor authentication, required encryption for user sessions, and that it would not permit unencrypted access to the system.	No exceptions noted.
11.3 Access to payment applications requires the use of a secure connection. Taxpayers are redirected to a secured connection when they access the eFile, Business Portal, e-Pay, or KeyTRAC web interfaces. A current SSL certificate is maintained by Keystone Collections Group.	Observed the eFile, Business Portal, e-Pay, and KeyTRAC applications and verified that when connecting to the applications, an SSL-secured connection was required. Inspected the SSL certificate configurations and verified they were current, from an established certificate provider, and not a self-signed certificate.	No exceptions noted.

**Control Objective 12:** Controls provide reasonable assurance that logical access to programs, data, and computer resources is restricted to authorized and appropriate users.

<i>Provided by Keystone Collections Group</i>		<i>Procedures Performed by Boyer &amp; Ritter LLC</i>
<b>Control</b>	<b>Test Performed</b>	<b>Test Results</b>
<p>12.1 The Security and Data Access Policy documents management's directives for information security management and includes the following topic areas:</p> <ul style="list-style-type: none"> <li>• Access control</li> <li>• User provisioning</li> <li>• Network security</li> <li>• System monitoring</li> </ul> <p>The policy is reviewed and approved by management on an annual basis.</p>	<p>Inspected the Security and Data Access Policy and verified the policy covers the following information security topic areas:</p> <ul style="list-style-type: none"> <li>• Access control for the network</li> <li>• User provisioning</li> <li>• Network security</li> <li>• System monitoring</li> </ul> <p>Inspected the Security and Data Access Policy and verified it is approved by management annually.</p>	No exceptions noted.
12.2 Access to TaCS uses a single sign-on mechanism and is based on Active Directory group membership.	Inspected TaCS and verified the system used a single sign on mechanism for access control, authentication is dependent upon Active Directory, and required membership in a specific Active Directory group.	No exceptions noted.
12.3 Firewalls, intrusion prevention system, and spam filters are in place at the perimeter of the network to reduce the risk of unauthorized access.	Observed the firewall and IPS system physically installed in the data center. Observed management log on to the management consoles for the firewall and IPS systems. Inspected the signature file for the spam filter system. Verified spam filter system was up to date and licensed. Inspected the signature file for the IPS system. Verified IPS system was up to date and licensed. Inspected a network diagram. Verified the firewall was placed on the perimeter of the network and filtering all traffic.	No exceptions noted.
12.4 Access to Active Directory is restricted to authorized personnel. Access authorization forms are used to document the approval for new system accounts.	Inspected a sample of Active Directory users and verified user accounts were assigned to authorized personnel and the purpose of service accounts was identified by management. Inspected a sample of new hires and requested a copy of their access authorization form. Verified access authorization forms were completed and approved prior to access being provisioned.	No exceptions noted.
12.5 Terminated employees' access to Active Directory is revoked when they leave the organization. Termination forms are used to document the revocation of access upon employee termination.	Inspected a sample of Active Directory users and compared it to a list of terminated users. Verified terminated users did not have access to the network. Inspected a sample of terminated users. Verified completed user termination forms were on file.	No exceptions noted.
12.6 Administrative access to Active Directory is restricted to authorized and appropriate personnel.	Inspected a list of users with domain administrator privileges. Verified listing was restricted to authorized and appropriate IT department personnel.	No exceptions noted.
12.7 Privileged access to the TaCS system is restricted to authorized and appropriate personnel.	Inspected a list of users assigned the 'Supervisor' role in TaCS. Verified listing was restricted to authorized and appropriate personnel.	No exceptions noted.

**Control Objective 12 (Continued):** Controls provide reasonable assurance that logical access to programs, data, and computer resources is restricted to authorized and appropriate users.

<i>Provided by Keystone Collections Group</i>		<i>Procedures Performed by Boyer &amp; Ritter LLC</i>
Control	Test Performed	Test Results
12.8 Users are identified on Active Directory through the use of unique access credentials and shared accounts for user access are not used in the production environment. The purpose of service and application accounts are identified by management.	Inspected a sample of Active Directory accounts and verified users were assigned unique accounts. Verified management could identify and justify the purpose of service and application accounts.	No exceptions noted.
12.9 Stringent automated authentication controls are in place for Active Directory, including requirements on the following:  <ul style="list-style-type: none"> <li>• Password length.</li> <li>• Password complexity.</li> <li>• Password rotation.</li> <li>• Password history.</li> <li>• Account lock outs.</li> <li>• Screensaver lockouts.</li> </ul>	Inspected the configuration of the domain and verified the following password requirements were enforced for user accounts:  <ul style="list-style-type: none"> <li>• Password length.</li> <li>• Password complexity.</li> <li>• Password rotation.</li> <li>• Password history.</li> <li>• Account lock outs.</li> <li>• Screensaver lockouts.</li> </ul>	No exceptions noted.
12.10 Local administrative access to workstations and access to removable devices, including USB devices, is restricted to authorized IT department and senior management personnel.	Inspected the configuration of the Active Directory domain. Verified a group policy was in place that restricted access to removable devices. Verified group policy restricted local administrator access to authorized IT department personnel.	No exceptions noted.
12.11 Access to the database is restricted to authorized personnel.	Inspected a list of SQL database groups and users. Verified user accounts were assigned to authorized personnel.	No exceptions noted.
12.12 The Active Directory user listing and physical access listing are reconciled quarterly to the current employee listing to ensure terminated employees temps/contractors have had access removed. Further, a listing of users with remote access is reconciled to ensure each remote access user has signed the Remote Access Policy.	Obtained and inspected evidence of the quarterly reconciliation.	No exceptions noted.

**Control Objective 13:** Controls provide reasonable assurance that physical access to computer and other resources is restricted to authorized and appropriate personnel.

<i>Provided by Keystone Collections Group</i>		<i>Procedures Performed by Boyer &amp; Ritter LLC</i>
Control	Test Performed	Test Results
13.1 A physical security policy is in place that sets forth rules for establishing, controlling, and monitoring physical access to Information Resource facilities. The policy is approved by the Vice President of Operations and the IT Infrastructure Manager.	Inspected the Physical Security Policy and verified it sets forth rules for establishing, controlling, and monitoring physical access to Information Resource facilities. Verified the policy is approved by the Vice President of Operations and the IT Infrastructure Manager.	No exceptions noted.
13.2 Physical access to the office facilities is restricted to authorized personnel using proximity key cards. Terminated employees' proximity key cards are revoked when their employment is ended.	Inspected a sample of badges from the physical access system and verified that they were assigned to authorized personnel. Inspected a sample of terminated employees and verified that they did not have active access badges for the facilities.	No exceptions noted.
13.3 Physical access to the computer room is limited to authorized personnel.	Inspected the list of badges with access to the computer room and verified that it was restricted to authorized employees.	No exceptions noted.
13.4 Proximity badge readers are in place throughout headquarters and the processing facility, including the processing department. Entrances to the facilities are either locked at all times or monitored by a receptionist during business hours and locked after hours.	Observed proximity badge readers at all entrances and throughout the headquarters and processing facilities. At the headquarters facility, observed that the main entrance is monitored by a receptionist during business hours and is locked after hours. Observed that the entrance to the processing facility is locked at all times.	No exceptions noted.
13.5 Cameras are placed throughout the headquarters and processing facility, including the mailroom and check processing department to record activity within the facility.	Observed the placement of security cameras at entrances and throughout the headquarters and processing facility. Observed that cameras are in place at the processing facility in the mailroom/processing area and at the entrances and exits to the mailroom/processing area. Observed the camera system and verified that live footage is being transmitted to management's DVR computer.	No exceptions noted.
13.6 Access to the check processing department is restricted to appropriate personnel using a proximity card system.	Observed that the entrances to the check processing department are protected by proximity badge reader. Inspected a sample of proximity cards that had permissions to access the check processing department and verified that the cards were assigned to authorized and appropriate personnel based on a review of the individual's title and job description.	No exceptions noted.



<b>Control Objective 14:</b> Controls provide reasonable assurance that changes to application programs and related data management systems are authorized, documented, approved, and implemented.		
<i>Provided by Keystone Collections Group</i>		<i>Procedures Performed by Boyer &amp; Ritter LLC</i>
<b>Control</b>	<b>Test Performed</b>	<b>Test Results</b>
14.1 The SDLC Policy details the SDLC and change management procedures for the infrastructure and applications. The SDLC Policy is reviewed and approved by management annually.	Inspected the SDLC Policy and verified that it defined the procedures for software development and change management for the organization. Inspected the SDLC Policy and verified the policy is reviewed and approved by management annually.	No exceptions noted.
14.2 A separate test environment is in place for QA testing and user acceptance testing.	Inspected a hardware inventory and the SDLC Policy and verified separate environments were in place for the following: <ul style="list-style-type: none"> <li>• Development testing</li> <li>• QA testing</li> <li>• User acceptance testing</li> <li>• Production</li> </ul>	No exceptions noted.
14.3 A change control system is used to track changes to business applications and network infrastructure. System changes: <ul style="list-style-type: none"> <li>• Are documented appropriately, and include details of the change plan.</li> <li>• Include implementation and back out plans.</li> <li>• Are rated by risk based on the potential impact to other systems.</li> <li>• Approved by management prior to deployment.</li> </ul>	Inspected a sample of system changes and verified they were: <ul style="list-style-type: none"> <li>• Documented appropriately, including implementation and backout plans.</li> <li>• Risk rated, based on the potential impact to other systems.</li> <li>• Approved by management prior to deployment.</li> </ul>	No exceptions noted.
14.4 Developers are not permitted access to the production environment. Access to this server is restricted to authorized and appropriate personnel, and is prohibited for development personnel.	Inspected the users with access to the production application server and verified that it was restricted to authorized and appropriate personnel.	No exceptions noted.
14.5 Access to the source repository is restricted to authorized and appropriate personnel.	Inspected a listing of users with access to the source code repository and verified that the users' access was authorized and appropriate.	No exceptions noted.
14.6 Access to make changes to network infrastructure is restricted to authorized personnel.	Inspected the administrative domain user group in Active Directory and verified that they were appropriate, based upon job responsibilities.	No exceptions noted.

## **Other Information Provided by Keystone Collections Group**

### ***Business Continuity and Disaster Recovery***

Keystone developed a Disaster Recovery Plan to be implemented in the event of an emergency, disaster, or prolonged interruption of service to user entities. The purpose of the plan is to ensure information system uptime, data integrity and availability, and business continuity. The Disaster Recovery Plan provides directions, contact information, and other steps to facilitate the recovery from different types of organizational interruptions and disasters. Keystone's Disaster Recovery Plan exercises reasonable measures to protect employees and safeguard assets and client data.

One essential component of the firm's Disaster Recovery Plan is the *Pandemic Response and Readiness Plan*. This plan component was activated in mid-March 2020 due to the COVID-19 pandemic emergency business shut-down orders and advisories issued at State and Federal levels.

The course of the Pandemic Response Plan implementation at Keystone then involved, *inter alia*, adhering to the social distancing guidelines issued by the Centers for Disease Control and the PA Department of Health to safeguard Keystone employees by rapidly moving over 90% of Keystone's human resources to remote (out-of-office) work locations. As a result of being prepared to react appropriately in its pandemic response, the firm ensured ongoing performance of its tax administration technology platform, with operations neither delayed nor impacted. Proper implementation allowed the business to remain fully operational.

Many employees continue to work remotely today, noting the DELTA variant recurrence surges of the coronavirus COVID-19 in 2021, as well as for business purposes including the ease of continuity of such operations.

## **Other Information Provided by Keystone Collections Group**

### ***Business Continuity and Disaster Recovery, Continued***

Other components of the Disaster Recovery Plan beyond pandemic instances are designed to respond in the event of an extreme disaster that negatively affects the location of the primary applications, servers, and infrastructure servicing user entities. The Disaster Recovery Plan provides for the ability to utilize a recovery site. The recovery site is a sufficient distance from the main processing facility and data center to provide reasonable assurance that an environmental disaster would not affect the secondary backup location. Backup copies of data needed for the tax collection system are retained at the secondary site so that both electronic and manual processing activities can continue at this location and other Keystone facilities.

The Disaster Recovery Plan was developed based on a risk assessment that determined the requirements for the disaster recovery plan. The Disaster Recovery Plan identified essential and critical infrastructure elements, systems and networks in accordance with key business activities. The Disaster Recovery Plan is periodically tested in a simulated environment to ensure it can be implemented in an emergency and that management and staff understand how it is to be executed. Keystone's staff are trained on the Disaster Recovery Plan and understand their own respective roles in the recovery process. The Disaster Recovery Plan is continually updated to account for changing circumstances and risks that could affect Keystone's processing environment.