



**SHARON R. BOCK**  
 Clerk & Comptroller  
 Palm Beach County

February 24, 2011

Liz Bloeser  
 Director – Office of Financial Management & Budget  
 301 North Olive Avenue  
 West Palm Beach, FL 33401

Dear Ms. Bloeser

At your request, we previously conducted an investigative audit of the public service tax payments by Heritage Propane to Palm Beach County. The report was issued on August 27, 2010, which disclosed that Heritage Propane had not complied with County Ordinance 89-13. Significant and various types of errors were noted in which Heritage did not collect or remit to the County required public service taxes from customers in unincorporated areas of Palm Beach County. Estimated taxes owed for calendar year 2009 totaled \$230,953, which was received from Heritage on February 4, 2011. Our report indicated that a similar tax liability was anticipated for both calendar years 2007 and 2008 given that Florida Statute allows an assessment of taxes levied within three years after the date the tax was due.

This memorandum provides calculations that estimate the additional public service tax liabilities owed by Heritage for calendar years 2007 and 2008 as well as the first six months of 2010. The estimates apply the error rates of three different categories identified in the prior audit to the actual public service taxes reported by Heritage to the County. These estimates do not include any interest or penalties that may be imposed. It is also important to note that Heritage and Titan (subsidiary company) collectively failed to report any tax liability for 26 of the 48 months in 2007 and 2008.

In summary, the estimated public service taxes owed to the County total \$967,305, as highlighted below and explained in further detail on the following pages.

Inaccurate Coding of Customer Locations	\$750,265
Improperly Classified as Tax Exempt Accounts	\$179,527
Improper Use of State Tax Code FL99	<u>\$ 37,513</u>
<b>Total Additional Taxes Owed to County</b>	<b><u>\$967,305</u></b>

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## A. Inaccurate Coding of Customer Locations

For the prior months tested of October, November and December of 2009, public service taxes reported and paid to the County were \$5,3205.05, \$4,418.44, and \$5,800.74, respectively, totaling \$15,544.23. For this three-month period, we found 442 customer accounts were not correctly coded as unincorporated Palm Beach County, resulting in \$43,604 in unpaid taxes. This represents an error factor of 2.8 (\$43,604 / \$15,544) of unpaid taxes.

Public service taxes reported and paid to the County for 2007, 2008 and first six months of 2010 are presented below.

2007	Heritage	Siegel	Titan
Jan.	NONE	1,962.31	NONE
Feb.	10,517.06	1,793.33	NONE
Mar.	8,672.89	1,786.83	NONE
Apr.	9,002.33	1,426.68	NONE
May	NONE	1,623.01	5,502.33
June	3,701.64	1,436.60	NONE
June	NONE	1,580.29	NONE
July	4,863.23	1,310.42	NONE
Aug.	NONE	1,544.16	4,614.16
Sept	NONE	1,340.09	3,945.90
Oct.	NONE	2,152.67	5,285.72
Nov.	NONE	2,396.16	8,710.89
Dec.	NONE	2,478.26	9,019.49
2007 Totals	\$36,757.15	\$22,830.81	\$37,078.49
Total All Companies			\$96,666.45

2008	Heritage	Siegel	Titan
Jan.	NONE	2,940.00	12,960.23
Feb.	NONE	2,284.51	8,985.60
Mar.	NONE	2,509.69	11,017.47
Apr.	NONE	2,928.96	8,430.50
May	NONE	2,661.05	6,937.01
June	NONE	2,015.97	9,491.32
July	NONE	2,439.75	6,639.49
Aug.	NONE	NONE	5,431.27
Sept	NONE	1,853.93	5,595.83
Oct.	NONE	1,855.51	6,070.73
Nov.	1,541.07	269.41	7,079.20
Dec.	2,067.63	NONE	9,338.82
2008 Totals	\$3,608.70	\$21,758.78	\$ 97,977.47
Total All Companies			\$123,344.95

2010	Heritage	Siegel	Titan
Jan.			9,525.25
Feb.			8,807.82
Mar.			7,897.85
Apr.			8,599.74
May			4,676.86
June			8,432.37
2010 Total			\$ 47,939.89
2007 Total			\$ 96,666.45
2008 Total			<u>\$123,344.95</u>
Total			<u>\$267,951.29</u>
Error Rate			2.80
Taxes Due			<u>\$750,264.61</u>

Based on the public services taxes reported and paid of \$267,951.29 and applying the error rate of 2.8 identified in the prior audit, the estimated tax liability for accounts not correctly coded as unincorporated Palm Beach County totaled \$750,263.61. As noted previously, the tax liability was not reported for Heritage and Titan in 26 of the 48 months during 2007 and 2008.

## B. Improperly Classified as Tax Exempt Accounts

The prior audit disclosed that 27 of 35 accounts were improperly classified as tax exempt, resulting in unpaid taxes to the County totaling \$10,394 for October through December of 2009. The calculated error factor for tax exempt sales is .67 ( $\$10,394 / \$15,544$ ). Applying the .67 error factor to the total public services taxes reported and paid of \$267,951 results in estimated taxes owed due to improperly classified tax exempt accounts of \$179,527.

## C. Improper Use of State Tax Code FL99

The prior audit disclosed that 262 sales transactions for 56 customers were incorrectly assigned tax code FL99 (labeled as Florida state tax) instead of a tax code for unincorporated Palm Beach County. This resulted in unpaid public service taxes totaling \$2,161 for the three-month period in 2009. The calculated error factor for sales incorrectly coded as FL99 is .14 ( $\$2,161 / \$15,544$ ). Applying the .14 error factor to the total public services taxes reported and paid of \$267,951 results in estimated taxes owed due to improper use of state tax code FL99 of \$37,513.

The Clerk & Comptroller's office is available to assist the County in collecting the taxes owed by Heritage Propane and its affiliated companies.

Respectfully submitted,



Roger Trca  
Inspector General & Audit Director  
Clerk & Comptroller Office  
Palm Beach County

cc: The Honorable Sharon R. Bock, Esq. - Clerk & Comptroller  
Shannon Ramsey-Chessman – Chief Operating Officer of Finance