

# Controller's 2020 Annual Report



Michelle A. Bednar  
Luzerne County Controller

MARCH 23, 2021

# This Presentation Will

- ▶ Present an annual report to the people of Luzerne County at a Council meeting
- ▶ Highlight the operations and finances of the Controller's Office for the prior year
- ▶ Identify audits completed, major findings, corrective actions taken by appropriate parties, and significant issues not fully addressed

# Controller's Office Staff

- ▶ Mark Majikes, Deputy Controller
- ▶ Wendy Saxe, Senior Auditor
- ▶ Nancy DeFluri, Auditor II
- ▶ Susan Yozwiak, Internal Auditor

# Responsibilities of the Controller

Independently oversee County fiscal and management activities.

Monitor and examine County government and its operations.

Conduct fiscal, performance, management, contract, grant, compliance, and/or related audits.

# Who Can We Audit?

- ▶ Per §3.08 of the Home Rule Charter, we have the authority to audit any County division, department, bureau, office, agency, authority, board, commission, elective office, the Judiciary, Office of Court Administration, or other administrative unit.
- ▶ **All County activities are subject to audit!**

# Classification of Audits

## Class One

### **Statutory audits**

Mandated by the state

## Class Two

### **Discretionary audits**

Based on individual  
priority

Performed according to  
staff availability

## Class Three

### **High-priority audits**

Not known in advance

Require immediate  
attention

Take priority over other  
audit classes

## What We Do

▶ **Auditing**

▶ **Compliance**

**We DO NOT oversee Accounts Payable!**

# What We Look For

- ▶ Fraud
- ▶ Human Error
- ▶ Separation of Duties
- ▶ Inefficiencies in Operations
- ▶ Inadequate Checks and Balances
- ▶ Non-Compliance with Rules and Regulations



Account	Account Description	2020 Amended Budget	2020 Expenditures	2021 Budget
510.1	Wages Elected Officials	64,999	64,999	64,999
510.15	Wages Non-Represented	136,412	136,338	136,467
510.2	Wages Represented	38,351	38,324	39,310
510.35	Wages Overtime	30	-	-
520.1	Payroll Taxes Social Security - FICA	14,716	14,466	14,925
520.15	Payroll Taxes Medicare	3,442	3,383	3,490
520.2	Payroll Taxes Unemployment	1,600	1,088	1,600
530.1	Benefits Health Care Opt Out	1,500	1,500	1,500
530.4	Benefits Life Insurance	800	-	800
540.14	Office Supplies	850	407	850
540.7	Small Tools and Minor Equipment	-	-	-
540.73	Postage	-	-	-
550.17	Management / Consulting Services	-	-	-
550.19	Special Legal Services	1,000	-	1,000
550.27	Travel Expense	4,870	-	4,870
550.29	Mileage Reimbursement	800	-	800
550.3	Advertising	150	120	150
550.32	Printing	100	-	100
550.47	Repairs / Maintenance - Machinery & Equipment	250	-	250
550.48	Repairs / Maintenance - Misc	-	-	-
560.23	Background Check	80	-	80
560.6	Dues / Memberships	750	750	750
560.61	Subscriptions	-	-	-
560.64	Meeting / Conference/ Training Fees	3,220	1,000	1,610
599.46	Machinery and Equipment > \$5000.00	-	-	-
<b>Expense Totals</b>		<b>\$ 273,920</b>	<b>\$ 262,375</b>	<b>\$273,551</b>

# Controller's Office Finances

# Controller's Office Finances

- ▶ As shown in the previous slide, the Controller's Office, finished the year under budget
- ▶ Our staff of five employees, including the Controller, continues to maintain adequate continuing professional education credits (CPEs).
- ▶ This helps maintain a network of resources to draw upon when faced with a new or challenging audit or situation
  - ▶ This keeps us abreast of new methods, helpful tactics, and useful information in highly dynamic areas

# Audits are:

- ▶ Posted online, with few exceptions, on the Controller's section of the County's website at [www.luzernecounty.org](http://www.luzernecounty.org)
- ▶ By law, certain audits, such as the DA Equitable Sharing and DA Asset Forfeiture audits, are not a matter of public record
- ▶ Per the Home Rule Charter, all audits must be posted on our website for at least 60 days

# Audits Completed in 2020

## Description

- ▶ Real Estate Tax Collections Audit, 2018

## Findings/Recommendations/Actions

- ▶ Tax Administrator should continue to close out periods on a regular basis
- ▶ The Controller's Office and the Tax Administrator or Tax Processor should be notified any time RBA staff opens a batch for a tax collector
- ▶ An inspection and update of internal controls is recommended, so that unusual activity would flag a report

# Audits Completed in 2020

## Description

- ▶ Real Estate Tax Collections Audit, 2019

## Findings/Recommendations/Actions

- ▶ Great improvements have been observed over the past few years, since the Treasurer's Office has:
  - ▶ consistently notified us of failed payments,
  - ▶ regularly closed out periods in RBA, and
  - ▶ notified our office any time RBA staff opens a batch for a tax collector

# Audits Completed in 2020

## Description

- ▶ Exeter Borough Tax Collection Interim Compliance Audit, 2019
- ▶ Forty Fort Borough Tax Collection Interim Compliance Audit, 2018

## Findings/Recommendations/Actions

- ▶ Taxes were properly collected, accounted for, and remitted to the County
- ▶ Taxes were properly collected, accounted for, and remitted to the County
- ▶ We recommend the tax collector use a Duplicate Book, which has proven to be very helpful to others, and the tax collector agreed

# Audits Completed in 2020

## Description

- ▶ Shickshinny Borough Tax Collection Interim Compliance Audit, 2016 & 2017

## Findings/Recommendations/Actions

- ▶ Paid properties not reflected as paid in the Duplicate Book
- ▶ Properties shown as unpaid on Returns report but shown as paid in the Duplicate Book
- ▶ Uncashed check was found
- ▶ Missing deposit slips
- ▶ We recommend that any monies remaining in the bank account, be turned over to the taxing body.

# Audits Completed in 2020

## Description

- ▶ Slocum Township Tax Collection Interim Compliance Audit, 2018

## Findings/Recommendations/Actions

- ▶ March payments not entered into RBA until December, resulting in delay in payment to County of \$29,996; monthly bank reconciliations would've detected the excess funds in the account
- ▶ One bank account was used for all taxing districts, but there should be one account for County/municipality and one for school
- ▶ No deputy tax collector was appointed
- ▶ Duplicate book was not used; we recommend using one



# Audits Completed in 2020

## Description

- ▶ Pringle Borough Tax Collection Interim Compliance Audit, 2018
- ▶ \$5 Vehicle Registration Fee Audit, 2019

## Findings/Recommendations/Actions

- ▶ Taxes were properly collected, accounted for, and remitted to Luzerne County
- ▶ Recommended using an interest-bearing account
- ▶ Recommended Engineering Dept. focus on bridge projects in order to fully take advantage of PennDOT's matching incentive

# Audits Completed in 2020

## Description

- ▶ Convention and Visitors Bureau Audit, 2017 – 2018

## Findings/Recommendations/Actions

- ▶ Staff must follow established personnel policies with regard to gratuities and meals or the policies must be amended
- ▶ The new director has been enforcing policies

# Audits Completed in 2020

## Description

- ▶ LCDC Commissary Fund Audit, 2017

## Findings/Recommendations/Actions

- ▶ No findings with regard to inmate accounts
- ▶ Inmate Handbook revisions are needed in the areas of: commissary purchase limits, telephone call guidelines, and work release payment hierarchy
- ▶ Restitution payments below required amounts (improved from last audit)

# Audits Completed in 2020

## Description

- ▶ LCDC Commissary Fund Audit, 2018

## Findings/Recommendations/Actions

- ▶ All discrepancies found were resolved
- ▶ An addendum was made to the Inmate Handbook to state \$100 limit on regular commissary purchases
- ▶ Restitution payments continue to be below required amounts, but steady progress has been made to rectify the matter
- ▶ \$314,987 was paid to GTL to resolve cash kiosk double payments

# Audits Completed in 2020

## Description

- ▶ Info Quick Solutions (IQS) Inc. Contract Review, 2019 (Judicial Services and Records software, digitized records, etc.)
- ▶ DA Asset Forfeiture Audit, 2019

## Findings/Recommendations/Actions

- ▶ The revenue-splitting mechanism was slightly off (65%/35% vs. \$1.00/\$0.50), resulting in the County being underpaid
- ▶ An amendment has been made to the contract to correct for this error
- ▶ No findings (mandatory annual audit)

# Audits Completed in 2021

## Description

- ▶ Northeast Revenue Review, May 2020
  
- ▶ Magistrate District 11-2-01, 2017

## Findings/Recommendations/Actions

- ▶ Payments are properly being made to the County bi-weekly
- ▶ Found 28 instances where tax collectors failed to forward money to County, which resulted in properties erroneously showing as delinquent; these totaled \$6,961 and the amounts were properly forwarded to the County
  
- ▶ No findings

# Audits Completed in 2021

## Description

- ▶ Dupont Borough Tax Collection Interim Compliance Audit, 2019
  
- ▶ DA Equitable Sharing Audit, 2020

## Findings/Recommendations/Actions

- ▶ Need for improved recordkeeping (deposit detail and timely payment processing)
- ▶ Need to reserve December 31 for year-end processing
  
- ▶ No findings (mandatory annual audit)

# Audits Completed in 2021

## Description

- ▶ LCDC Commissary Fund Audit, 2019

## Findings/Recommendations/Actions

- ▶ Update telephone section of the Handbook
  - ▶ LCDC is currently in process of digitizing handbook and updates
- ▶ Continue attempts to meet with Probation to improve timeliness of their notifications regarding needed restitution payments
  - ▶ LCDC has been informed that effective April 2021 additional probation officers will be assigned
- ▶ Recommended OMS upgrade to implement automatic alerts regarding required restitution payments, but learned this wasn't an option
  - ▶ LCDC has already begun discussions in an effort to accomplish upgrades



# Audits in Process

## Description

- ▶ Dupont Borough Tax Collection Interim Compliance Audit, 2020
- ▶ West Pittston Borough Tax Collection Compliance Audit, 2018

## Comments

- ▶ Verify payments and compliance
- ▶ Verify payments and compliance

# Audits in Process

## Description

- ▶ LCDC Commissary Fund Audit, 2020
  
- ▶ Real Estate Tax Collections Audit, 2020

## Comments

- ▶ Review inmate accounts, commissary purchases, inmate telephone services, work release program, and restitution paid
  
- ▶ Verify proper amounts were collected from taxpayers and submitted to the County

# Audits in Process

## Description

- ▶ Magistrate District 11-1-03, 2020
- ▶ Magistrate District 11-2-01, 2020
- ▶ County Fuel Review

## Comments

- ▶ Verify compliance and proper collections and payments
- ▶ Verify compliance and proper collections and payments
- ▶ Verify compliance with procedures

# 2021 Proposed Audits

## Description

- ▶ DA Asset Forfeiture, 2020
- ▶ Probation Services, Court Collections Division
- ▶ Vendor Payments

## Comments

- ▶ Required annually
- ▶ Investigate payments of court-ordered restitution to victims of crimes
- ▶ Review policies, procedures, and internal controls

# 2021 Proposed Audits

## Description

- ▶ Coroner's Office
- ▶ Clean & Green Rollback Interest Certification
- ▶ Luzerne County Retirement System

## Comments

- ▶ Conduct compliance review, in light of multiple staff changes
- ▶ Verify accuracy of certification with PA
- ▶ Review procedures and ensure adequate separation of duties

# 2021 Proposed Audits

## Description

- ▶ Sheriff Real Estate Sales
  
  
  
  
  
  
  
  
  
  
- ▶ Tax Collector Vacancy Audits

## Comments

- ▶ Review department guidelines for payments and approval
  
  
  
  
  
  
  
  
  
  
- ▶ Review accuracy of tax collection for those tax collectors not seeking re-election

# Tax Collection Notes

- ▶ Around 92% of all revenue received by County comes from what is billed on tax collection
- ▶ There are 76 Municipalities in Luzerne County for whom taxes are collected
- ▶ County Treasurer's Office collects taxes for 4 cities and 1 township
  - ▶ Hazleton, Nanticoke, Pittston, and Wilkes-Barre Cities and Newport Township
- ▶ Due to manpower constraints, we generally audit tax collectors only when there is change in tax collector
  - ▶ Examples would be the stepping down or death of tax collector or the election of a newly elected tax collector
  - ▶ We also audit if there is concern regarding a specific tax collector

# Tax Collection Notes

- ▶ In addition to auditing tax collectors, we also audit tax collection in its entirety for each complete year
  - ▶ This will uncover if the totals paid to the County differ from those reported in RBA
  - ▶ This will direct us to any special tax collector audits that need to be performed
- ▶ We are often asked if there is a class to teach the basic procedures for collecting taxes
  - ▶ The main qualifications to become a tax collector are:
    - ▶ Being a registered voter of the municipality,
    - ▶ Residing there for one year before election, and
    - ▶ Continuing to reside there during the term of office



# Tax Collection Classes

The Controller's Office is developing a training course for tax collectors:

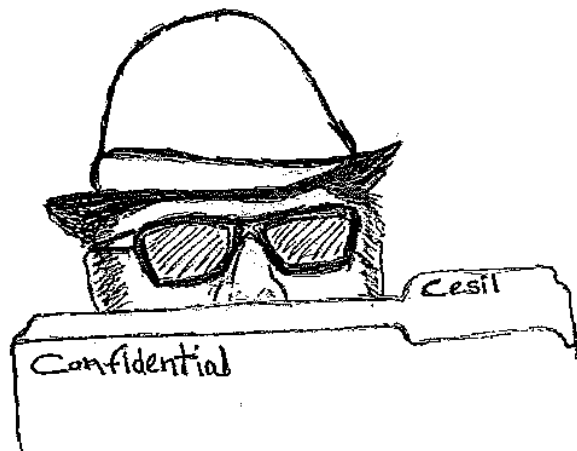
- ▶ Classes will be offered free to newly elected tax collectors or to any tax collector who would like to take the class
- ▶ The classes will be DCED-approved for continuing education credits
- ▶ The classes will focus on the proper procedures for collecting taxes and emphasize the need for organization and bookkeeping skills

# Other Duties and Responsibilities

- ▶ Ace Commission Board (Accountability, Conduct, and Ethics)
- ▶ Constable Advisory Board (for the 11th Judicial District)
- ▶ Luzerne County Bid and RFP Openings
  - ▶ Conducted by the Office of Purchasing
  - ▶ View opening bids and monitor tabulation
- ▶ Wilkes-Barre/Scranton International Airport
  - ▶ Bid openings (alternate with Lackawanna County)
  - ▶ Attend monthly board meetings

# Our CESIL Hotline

Citizens and  
Employees  
Suggestion and  
Idea  
Line



Hotline: (570) 830-5154

Email: [CESIL@luzernecounty.org](mailto:CESIL@luzernecounty.org)

**All submissions are kept  
confidential.**

Thank You!