

**County of Luzerne, Pennsylvania  
Tax Collection Office and Tax  
Assessment Office**

Performance Audit of Selected Areas  
January 1, 2011 Through December 31, 2011

**County of Luzerne, Pennsylvania**  
**Tax Collection Office and Tax Assessment Office**

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January 1, 2011 Through December 31, 2011

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**Objectives**

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This report presents the results of our performance audit of the Luzerne County Tax Assessment Office ("Assessment") and the Tax Collection ("Collection") office (collectively, the "Offices"). In addition to the specific performance audit procedures performed, we also obtained an understanding of the history and operations of the Offices to assist us in completing this audit.

**Objective One – PIN Certification Procedures**

Select a sample of PINs purchased from Assessment and compare to the Recorder of Deeds Office.

***Scope and Methodology***

We obtained the revenue account detail (100.4136.36168), Daily Register Reports from Assessment, and supporting documentation from the Recorder of Deeds Office. We haphazardly selected twelve PIN Certification purchases (one from each month of 2011) and requested the supporting documentation from the Assessment Office and the Recorder of Deeds Office.

***Background and Results***

Assessment assigns PIN certifications (Property Identification Number) to deeds, mortgages, titles, satisfactions, assignments, financing statements, maps, easements, legal documents, power of attorney, and other documentation to generate revenue for Luzerne County. The Uniform Parcel Identifier System was adopted to establish a modern land record system. There are two County PIN Certification Clerks who oversee the purchase of PIN certifications. In 2011, a PIN certification costs 10 dollars. A PIN consists of municipality – map block location – specific lot – improvement/addition (Example: 10 – E9NW3 – 10 – 1 – 0). Deeds may have more than one PIN number.

***Observations, Recommendations, and Conclusions***

Overall Conclusion – There are many risks involved with PIN Certification. We believe the informal processes established are appropriate and functioning as intended, however, such procedures should be formally documented to ensure current and future staff clearly understands the process and procedures established surrounding PIN certifications. See following findings.

**Finding One: Lack of Written Policies and Procedures Regarding PIN Certification**

Criteria - The Tax Assessment Office does not have formal policies and procedures for PIN certification.

Condition - The two County employees who oversee the PIN certification have been with the County for many years and have a certain way of performing their tasks on a daily basis for PIN certification with no formal policies and procedures in place.

Effect - Ineffectiveness (job may be performed more efficiently and effectively).

Cause - Lack of formal written policies and procedures.

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**Objective Two – Property Appraisal Changes Procedures**

Obtain a listing of property appraisal changes, comparing a sample of changes with appraisal reports.

***Scope and Methodology***

We haphazardly selected a sample of 50 abatements and 10 additions for testing. We reviewed the Change of Assessment form from the CAMA system and recalculated the total change of assessment.

***Background and Results***

Additions and abatements are assessed by field assessors. The County Municipal Tax is based on a calendar year basis, while the School Tax is based on a fiscal year basis. Abatement invoicing is in January and July, while addition billings are in May and September. Abatements are always effective the first day of the following month. The County uses the CAMA system to retain the information regarding additions and abatements and to generate notices/invoices.

The Assessment Office employs a number of Certified Pennsylvania Evaluators ("CPE") whose job is to roam a specified area within the county making valuation determinations on parcels and then adjusting the County's tax rolls.

The CPE reviews the property and determines the assessment value. The CPE will enter the property information into the CAMA system, which creates an assessment value. The CPE considers factors that include the following: 1) Income 2) Sales Comparables 3) Cost (what is the cost to create). Once the CPE evaluates the CAMA value, the CPE will either adjust or maintain the current value. Once the evaluation is complete, the CPE will lock the screen and a tax assessment clerk knows there are new abatements or additions. The property owner has 40 days to appeal the assessment. The Board of Assessment Appeals (3 members) are responsible for holding hearings for change of assessment appeals. The hearings include the 3 members of the Board, a representative from the Tax Assessment Office, and the property owner.

**Observations, Recommendations, and Conclusions**

Overall Conclusion – The County's information system, CAMA, allows the CPE to have an idea of what the property should be assessed at. The County should establish written policies and procedures for each CPE to follow when making assessed value changes. There are rules established by the State that the CPE must follow and abide by, however, the County needs to have their own internal policies/procedures as well. See the following findings.

**Finding One: Lack of Written Policies and Procedures Regarding Abatements and Additions**

Criteria - The Tax Assessment Office does not have formal policies and procedures surrounding the process for making valuation changes (including additional billings and abatements).

Condition - During discussion with County employees, we noted no formal policies and procedures regarding abatements and additions.

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Effect - Ineffectiveness (job may be performed more efficiently and effectively).

Cause - Lack of formal written policies and procedures.

Recommendation - We suggest the County establish formal policies and procedures to ensure the County has a proper system in place for making assessed property value changes. In addition, the formalization and implementation of formal policies and procedures will lend itself to better consistency of documentation and assist with training future CPEs.

Views of Responsible Officials – Management will have applicable personnel document their daily activities and at the end of the month, these activity logs will be reviewed and become the basis for a formal policy and procedure manual.

**Finding Two: Review Over CPE Assessments for the County**

Criteria - The CPE's assessment of property value changes is not reviewed by anyone else, unless the property owner appeals the change of assessed value to the Board of Assessment Appeals.

Condition - The only form available to review is the change of assessment form which is created from the CAMA system. This form includes the dollar amount of the change of assessment, the reason why there was a change of assessment, and PIN certification.

Effect - The CPE could circumvent the system to arbitrarily adjust the assessed value without anyone catching it. The CPE does use the CAMA system to give suggestions on what the CPE should assess the property at, but the CPE has the authority to make changes within the system.

Cause - Inadequate policies and procedures surrounding the assessment process with CPE's and lack of oversight of value changes.

Recommendation - We recommend the County consider implementing a review of the changes to assessed value prior to the change taking effect. In addition, we also suggest that the County consider investigating whether there is a change report for property values that could be generated periodically for a management level individual to review and approve prior to the changes taking effect.

Views of Responsible Officials – Management intends to work with their software provider to develop a change management report that can be reviewed by the Chief Assessor on a regular basis.

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**Objective Three – Mileage Reimbursement**

Test field assessor mileage reimbursement requests to supporting documentation.

***Scope and Methodology***

We inquired of Assessment office personnel whether there were written policies and procedures regarding mileage reimbursement procedures. ParenteBeard obtained a listing of field assessors during 2011. For each active field assessor, we haphazardly chose a date and obtained their mileage sheet for the day. We obtained the following reports from the Office - Assessor's Office Daily Field Production, Monthly Report, and Travel Record.

***Background and Results***

The Field Assessors complete their mileage record on a daily basis and submit to Rocco Amenter, Manager of Field Assessors. The mileage is based on beginning mileage on the field assessor's car to the ending mileage. The mileage starts from the Court House and ends at the Court House after they are finished for the day. The records describe exactly where the assessor was for the day. When a field assessor is assigned to complete a block check, they do not have to list out the area because they are assigned to a specific block within a specific municipality. The field assessors are reimbursed on a monthly basis. The tax assessors secretary will print the monthly reports and submit them to Anthony (Tony) Alu, Director of Assessment for review. Rocco and Tony will review the mileage submission and determine if the amount is reasonable prior to submitting for reimbursement.

***Observations, Recommendations, and Conclusions***

Overall Conclusion – We concluded that the mileage reimbursement is in line with the County's Mileage Reimbursement Policy established by Anthony Alu, Director of Assessment

Observation – We recommend the Field Assessor Manager ensure all mileage sheets are completely filled out before submission to be paid. In addition, we recommend the Manager of Field Assessors perform random checks of the field assessor's cars to compare mileage to mileage sheets to ensure mileage is correctly reported. Finally, we also recommend that the individual mileage sheets include a starting location, along with the individual parcel addresses at which each Field Assessor stops during the day, allowing a reviewer to compare mileage with an external source.

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**Objective Four – Keystone Opportunity Zone Projects**

Test two Keystone Opportunity Zone (KOZ) projects and determine that appropriate annual supporting documentation is provided to the Assessment Office in accordance with KOZ requirements.

***Scope and Methodology***

We haphazardly selected two KOZ properties in 2011 and tested the appropriate supporting documentation. We obtained the annual approval paperwork from the state.

***Background and Results***

The Luzerne County property owner within a KOZ zone is responsible for filing the documentation with the County on an annual basis. The Tax Assessment Office is responsible for retaining the documentation from the property owner.

***Observations, Recommendations, and Conclusions***

Conclusion – The County is in compliance with KOZ standards for the two selected properties.

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**Objective Five – Tax Collection Procedures**

Select a sample of annual tax collector reconciliations and determine the individual tax collector is in compliance with the Tax Collectors Manual, such as bonding and interest-bearing accounts.

***Scope and Methodology***

We obtained a listing of all 2011 County Tax collectors and haphazardly selected 3 of the 76 collectors to review for compliance with the Tax Collectors Manual. In addition, we also attempted to select a sample of the annual tax collector reconciliations to audit; however there were no internally completed tax collector reconciliations. See below finding.

***Background and Results***

Each individual tax collector receives the amount of the tax levy (duplicate) to collect within their area early in the year and then records payments, adjustments, abatements and changes during the year. On a monthly basis, each tax collector is required to turn over (remit) the taxes collected that month to the County, along with a listing of the parcels that paid. At the end of each year, a final settlement report is remitted to the County, including the duplicate charged with collecting, changes, collections, and taxes turned over as uncollected.

Based on our research and inquiry and observation of the Treasurer's office staff, for the year ended December 31, 2011, a final reconciliation of the remittances by tax collector was not prepared to ensure that the County received the real estate tax revenues collected by each tax collector.

In addition, we also inquired of Sam Manta and reviewed supporting documentation maintained in the Treasurer's office regarding the individual tax collector's compliance with the Commonwealth of Pennsylvania, Department of Community and Economic Development Tax Collectors Manual and/or County requirements. As part of this, we noted that Sam maintains a file for each collector that includes a copy of the Declaration Page for the collectors Fidelity Bond, invoice for payment of bond, power of attorney, and monthly remittance reports.

***Observations, Recommendations, and Conclusions:***

Overall Conclusion – While the County utilizes the RBA system to track collections, at least some of the individual tax collectors currently are not actively using the RBA system to record the individual parcels being paid and then reconciling remittances to paid parcels. See following findings.

**Finding One: Lack of Written Policies and Procedures Regarding Tax Collections**

Criteria – The Tax Collection office does not have formally documented policies and procedures related to the specific requirements for tax collectors or for the remittance and reconciliation of tax receipts (from collectors).

Condition – The Tax Collection office does not have formal policies and procedures for reconciliation of tax remittances.

Effect – ineffectiveness, error or fraud.

Cause – Lack of formally documented policies and procedures.

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Recommendation – We recommend that the County establish formally documented policies and procedures to ensure that the County has an effective, efficient, and consistent process for monitoring tax collectors and for reconciling the periodic remittances to cash received and to the County's general ledger.

Views of Responsible Officials – Management will have applicable personnel document their daily activities and at the end of the month, these activity logs will be reviewed and become the basis for a formal policy and procedure manual.

**Finding Two: Tax Collector Annual Reconciliations**

Criteria – The County does not currently perform an annual tax collector reconciliation of the taxes each individual collector was charged with collecting, the amount collected, changes in assessed value and taxes returned as uncollected at the end of the year.

Condition – While each collector is required to submit a report at the end of the year outlining the amount of taxes charged with collecting, those collected and those returned as uncollected, the County currently does not reconcile the annual collections to its general ledger.

Effect - Ineffectiveness (job may be performed more efficiently and effectively), error, or fraud.

Cause – Lack of formal policies and procedures and oversight.

Recommendation – We recommend that the County implement a formal policy and procedure to reconcile the individual tax collector remittances and the annual reconciliation to the County's general ledger and other supporting documentation (including original duplicate and changes in assessed value).

Views of Responsible Officials – The County will begin performing these reconciliations for all tax collectors during the County's 2012 calendar year.