



*County of Luzerne*  
**Office of the Controller**

*Reconciliation of 2013  
Luzerne County Real Estate taxes by the  
Municipal Tax Collectors*

**Fieldwork Performed by:**

**Tim McCormack**

**Nancy DeFluri**

**Martin Moughan**

**June 18, 2014**

## **Objectives and Scope:**

We have conducted a reconciliation of the Luzerne County portion of the 2013 tax collections with payments received and reports submitted by the municipal tax collectors who collect those payments.

In 2013, Luzerne County Real Estate (RE) taxes were collected by elected municipal tax collectors. Tax bills are prepared by Luzerne County which contains information identifying each parcel, its owner, the assessed valuation of the property and the percentage (millage) of that assessed value which is to be paid by the taxpayer. Every tax collector is given a listing of the taxpayers from their municipality and their amount of RE tax due. This listing defining taxpayer liability is called the "Duplicate".

At the beginning of each year, tax bills are mail to the taxpayer which instructs them to pay their RE taxes to the elected tax collector. Tax collectors have the task of accounting for each payment, and remitting the same amount to the county along with reports generated by the County tax collection software. (RBA)

The assessed valuation of a property may change up or down in any year. As an example, if a taxpayer should improve their property with an in ground swimming pool, the County assessor determines the assessed value of the pool, and the County issues an additional bill for that improvement. If a taxpayer should decide that they wanted to remove and fill in an existing pool, the county assessors remove the assessed value of the pool from the valuation of the property and the county notifies the tax collector and the taxpayer of the change. If taxes had not been paid prior to the reduction, the taxpayer pays the new lower amount, if the taxes had already been paid, the County issues a refund to the taxpayer.

RE taxes paid by the taxpayer and received by the tax collector within 60 days of the date of the bill receive a 2% discount for paying early. RE taxes paid by the taxpayer between 61 and 120 days from the date of the bill pay it at face value. (No discount or penalty) Payments received by the tax collector after day 120 are assessed a 10% penalty. As for payments received by tax collector in the US Mail, the date of the payment is determined by the postmark on the envelope.

The RBA system calculates the amounts due from the taxpayer from the date of payment and keeps track of those amounts, as well as the discounts allowed and the penalties assessed. RBA also keeps track of properties on which no payment was received. (Land Returns) RBA tracks additional bills and incorporates them into the duplicate, as well as tracking the exonerations which lower tax liability.

RBA accounts for all payment and refund transactions for each property on the duplicate and balances the "Duplicate".

Tax collectors payment to the County must equal the total collections as calculated by RBA. Exonerations are processed by the tax collection department and entered into RBA. When they are entered into the RBA system, the system generates a refund report, but it is the responsibility of the Treasurer's Office to issue these refunds separate from RBA.

The Luzerne County Controller's Office strives to objectively and systematically evaluate processes, procedures and activities to ensure that each is executed in the most economical and efficient possible way. Our goals are to achieve the most value for each dollar spent, and make the best use of resources available by fostering ideas and to help implement those which maximize efficiency, economy, and effectiveness. Our reviews are tailored to the unique circumstances of each office, and we work with management to ensure accountability.

The Luzerne County Controller's Office is authorized by the Home Rule Charter of Luzerne County (Herein after referred to as the charter) Section 3.08 to conduct fiscal, performance, management, contract, grant, compliance and related audits of any county division, bureau, office, agency, board, commission, elective office, the Judiciary, Office of Court Administration or other administrative offices. This review is an internal audit function, authorized by the charter. Therefore the Controller is required to transmit a copy to the Manager of Luzerne County and County Council and post for public inspection in the Controller's Office and on the county website and/or other electronic media for a period of at least 60 days after it is issued. The Controller will also follow up on any recommendations, to the extent practical, in order to determine if they have been considered and/or implemented.

Auditors assigned to the engagement are employed by Luzerne County in the Controller's Office and report directly to the Controller. The audit staff is considered organizationally independent to conduct and report on the audit.

## **Methodology:**

The audit included examining reports which pertained to the collection of the County's RE taxes from the RBA system. Also, using the New World countywide financial system, we extracted information regarding payment of County taxes from the municipal tax collectors.

## **Testing Methodology**

We entered the collection and remittance information in to spreadsheets then manipulated the data to compare monthly receipts and RBA reports side by side for each municipality using pivot tables. We calculated totals for each tax collector and noted any exceptions.

## **Management Opinion and Conclusion:**

In our opinion, the funds collected by the municipal tax collectors were received, recorded and reported accurately. The testing performed in this review revealed no material financial findings, misstatements or other non-compliance activities. We found a few clerical errors which had a minimal impact financially. We have included recommendations to improve the record keeping and to increase efficiency and internal control; however, these in no way will improve the accuracy of the RBA records.

## **What we found:**

Two similarly named municipalities were each out of balance by same exact amount. One town with too much remitted, and one town with too little remitted. This was due to a payment being posted to the wrong town; a clerical error.

We found one municipality for which a payment had not been credited. Once notified of this condition, the Treasurer's Office contacted the tax collector regarding the payment, and a replacement check was issued and deposited within a day. The disposition of the original check remains unknown.

We found that one other municipal tax collector had remitted an amount less than what had been scanned into RBA earlier in the year which created the imbalance. The tax collector was advised of the imbalance and issued a check for the difference immediately.

Additionally, there were three municipalities that remained out of balance from the end of collections for 2013 by differing amounts, two of which were reconciled to a zero balance due after they were brought to the attention of the tax collection department. The common issue regarding these municipalities was that one or more abatements had not been processed in the RBA system. Once processed and refund reports generated, these two were brought into balance. The third municipality remains unreconciled and is awaiting response from the Treasurer's office. Follow up of this municipality will take place during correspondence with Treasurer's office.

**Recommendations:**

We recommend regular more monitoring of each municipalities' remittance and its agreement with RBA reports.

**Luzerne County Home Rule Charter: Section 3.08 (C.) 3.**

*The audited entity shall respond in writing, specifying agreement with the audit findings and/or recommendations or the reasons for disagreement with the findings and/or recommendations, along with any plans and timetable for implementing remedies. The response shall be provided to the Controller within 14 days after the audited entity's receipt of the draft audit. The Controller shall include the audited entity's response in his/her final audit report.*

Please respond as prescribed:

**Response:**

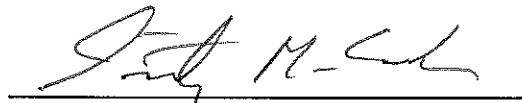
The treasurer's office agrees with the findings and has corrected the remaining municipality that was unreconciled.

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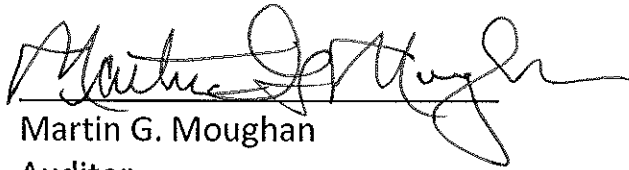
**Controller's Office:**



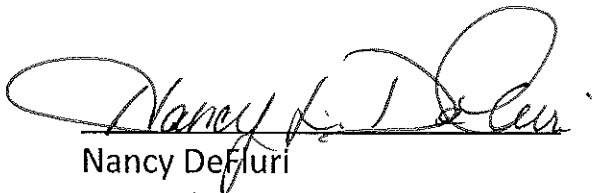
Michelle A. Bednar  
Controller



Tim McCormack  
Deputy Controller

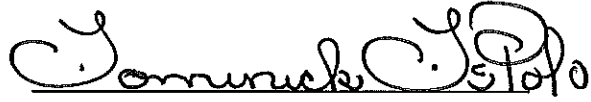


Martin G. Moughan  
Auditor

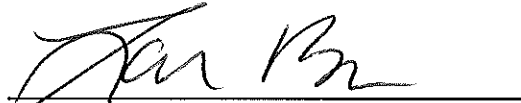


Nancy DeFluri  
Internal Auditor

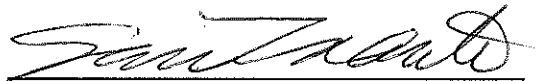
**Luzerne County Administration:**



Dominick DePolo  
Operations Manager



Laura Beers  
Tax Administrator



Sam Manta  
Tax Collection Processor