



County of Luzerne

Pennsylvania

Established 1786

Office of the Controller

Reconciliation of 2015

Luzerne County Real Estate

Tax Collections

Michelle A. Bednar
County Controller

Fieldwork Performed by:
Nancy L. DeFluri
Martin G. Moughan

September 26, 2016

Objectives and Scope:

The Controller's Office has conducted a reconciliation of the Luzerne County portion of the 2015 tax collections of payments received with reports submitted by the municipal tax collectors who collect those payments.

In 2015, Luzerne County Real Estate (RE) taxes were collected by elected municipal tax collectors, three home-rule municipalities and the Luzerne County Treasurers Office. All of the tax bills are created by Luzerne County. A tax bill contains the information that identifies each parcel, its owner, the assessed valuation of the property and the tax rate applied to the assessed value which is to be paid by the taxpayer. Assessed valuation determines the value of a residence for tax purposes. Each tax collector is provided with a listing of the property owners in their municipality that contains all of the information found on the tax bills. This listing that identifies the taxpayers and their liability is called the "Duplicate".

At the beginning of each year, the tax bills are mailed to the taxpayer instructing them to pay their RE taxes to the tax collector. Tax collectors must account for each payment, and remit the same amount to the county along with corresponding reports generated by the County tax collection software, "Robert Bailey Associates Data Systems" (RBA). Tax collector payments must equal the total collections as calculated by 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 assessor removes 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 two months of the date of the bill receive a 2% discount for paying early. RE taxes paid by the taxpayer during the next two months after the discount period, pay at face value. (No discount) Payments received by the tax collector after day 120 are assessed a 10% penalty. As for payments received by tax collector via 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 by 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.

Tax collector payments to the County must equal the total collections as calculated by RBA. When exonerations 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.

RBA accounts for all payment and refund transactions for every municipality and then balances the "Duplicate".

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 into 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:

- While comparing New World Collections with RBA Reports, The Controller's Office discovered an imbalance of \$686.37. A Municipal Tax Collector submitted a check to our Luzerne County Tax Office for the incorrect amount. However, it was improperly entered as the "correct" amount.

When the Controller's Office notified the Luzerne County Tax Office of the error they in turn contacted the Municipal Tax Collector who immediately submitted a check for the difference.

Had the Luzerne County Tax Collection Office compared the amount on the check (\$15,371.13) with the amount due (\$16,057.50) from the June 2015 RBA Report, this issue would have been discovered and resolved in July of 2015.

- The Controller's Office discovered two instances where errors of commission were made. In other words, the correct amounts were deposited, but the accounts were reversed. The first instance was between Foster Township and Sugarloaf Township, when each township's deposit was credited to the others account. The second instance was a comparable deposit error between Wilkes-Barre City and Pittston City.
- As part of this audit, the Controller's Office requested copies of the 2015 Luzerne County Real Estate paid tax bills (*receipt of payment*) from random tax payers. The Controller's Office found inconsistencies with regard to how these bills are cancelled and marked paid. According to the Pennsylvania Tax Collector's Manual, "***At a minimum, the tax collector must record each tax payment on the duplicate, by marking "paid" with the amount and date opposite the taxpayer's name.***" Currently, Luzerne County Tax Collectors have not been trained on specific procedures for cancelling tax bills, and receipting payments to taxpayers.

There are 76 Luzerne County municipalities. Out of these municipalities, there were 7 Boroughs, 5 Townships, and all 4 of the Cities were found to be out of balance.

Recommendations:

1. In order to ensure accuracy, RE tax deposits and their corresponding RBA reports should be reviewed and validated by a member of management.
2. Act-48-2015 revises the training requirements for municipal tax collectors. However, it requires that only newly elected tax collectors to meet the mandatory continuing education requirements.
3. The Luzerne County Controller's Office, in cooperation with members and non-members of the Luzerne County Tax Collectors Association, and the Luzerne County Treasurers Office should develop and implement a Luzerne County Tax Collection policy and procedure manual. This manual should identify the duties of the municipal tax collectors and standardize how these duties are accomplished and documented. Standardization helps all parties to know what to do, and to be aware of what comes next.

Once completed, the manual can be used as a training tool and guide for future tax collection professionals. Training and updates to the manual can be instituted during an annual CPE credit event held by the Controller.

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 complete and sign below.

I **AGREE** with the findings of the Luzerne County Controller's Office.

Brian A. Smith

10-4-2016

Date

.....

I **DISAGREE** with the findings of the Luzerne County Controller's Office.

Date

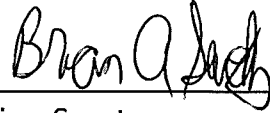
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Fourteen (14) days from the delivery of this report is: October 11, 2016

Please attach any additional written responses to this audit.

Luzerne County Administration:

Controller's Office:



Date 10-4-16
Brian Swetz
Budget and Finance

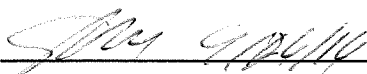


Date 9/26/14
Michelle A. Bednar
Luzerne County Controller




Date
Laura Beers
Tax Administrator

Date
*Martin G. Moughan
Auditor



Date 9/26/14
Sam Manta
Tax Collection Processor



Date 9-26-16
Nancy DeFluri
Auditor II

**Martin G. Moughan was unable to sign this report due to his retirement from Luzerne County.*

LUZERNE COUNTY
REAL ESTATE
TAX COLLECTION RECONCILIATION

REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2015 to DECEMBER 31, 2015

This report was distributed to:

C. David Pedri, Esq.	Luzerne County Manager
Michelle A. Bednar	Luzerne County Controller
Linda Houck	Luzerne County Council Chair
Brian Swetz	Director of Budget and Finance
Laura Beers	Tax Administrator

This report is a matter of public record and is available online at <http://www.luzernecounty.org>, found under Audit Reports on the Luzerne County Controller's section of the website. A hardcopy is also available for review at the Luzerne County Controller's Office.

Media questions about this report may be directed to the Luzerne County Controller's Office at 20 North Pennsylvania Blvd., Suite 213, Wilkes-Barre, PA 18701 or via e-mail to Controllers.Office@luzernecounty.org