



OFFICE OF THE CONTROLLER

*Reconciliation of 2016
Luzerne County Real Estate
Tax Collections*

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Luzerne County Controller

Fieldwork Performed by:
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Objective and Scope

The Controller's Office has conducted a reconciliation of the Luzerne County portion of the 2016 tax collections of payments received with reports submitted by the municipal tax collectors who collected those payments.

In 2016, Luzerne County Real Estate (RE) taxes were collected by elected municipal tax collectors, three home-rule municipalities and the Luzerne County Treasurer's Office. All of the tax bills are created by Luzerne County, but printed by a third party. A tax bill contains information identifying 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 Book".

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 recorded in RBA.

The assessed valuation of a property may increase or decrease in any year. As an example, if a taxpayer improves his 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 he wants to remove or 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. RE taxes paid by the taxpayer during the next two months (after the discount period) pay at face value. Payments received by the tax collector after day 120 are assessed a 10% penalty. Payments received by the tax collector via US Mail are considered to be paid as of the postmark date on the envelope.

The RBA system determines the amounts due from the taxpayer based on the date of payment. RBA keeps track of those amounts, any discounts allowed, any penalties assessed, and properties for which no payment was received (Land Returns). RBA also tracks additional bills (which increase tax liability) and exonerations (which decrease tax liability) and incorporates them into the Duplicate Book.

Tax collector payments to the County must equal the total collections as reflected in 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 updates those changes within the system.

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 RBA reports obtained from the Luzerne County Treasurer's Office which pertained to the collection of the County's RE taxes. Also, using New World (the Countywide financial system), we extracted information regarding payment of County taxes from the municipal tax collectors.

The Controller's Office specifically created a spreadsheet to compare the data from New World with the RBA data system. This spreadsheet was an analysis between the deposits shown internally through New World compared to the deposits recorded in RBA by the tax collectors. This spreadsheet allowed us to perform a reconciliation to identify differences.

Findings

- Bear Creek Township: After comparing RBA reports to what was receipted in New World, we found a deposit that was not reflected in RBA for 2016. When the Tax Administrator investigated, she discovered that an incorrect batch date was entered using the prior year (2015) by the tax processor. Therefore, the deposit for 2016 was received and entered – it just appeared in the wrong year.
- Courtdale Borough: When we compared RBA to New World for 2016, Courtdale Borough was overpaid by \$83,879.74 and Pringle Borough underpaid for the same amount. After investigating, we found that the same tax collector who collected taxes for Courtdale Borough also collected for Pringle Borough. To correct for this error of commission, deposits were credited to the other's account; thus, Courtdale Borough tax collection for 2016 balanced.
- Hughestown Borough: A receipting error caused a tax payment to appear as if it came from Hughesville Borough when, in fact, it was Hughestown Borough.
- Newport Township: A discrepancy of \$(15,021.11) was found between the amounts reported in New World and those reported in RBA. However, after investigating, we discovered a web fail for \$117.12, when the taxpayer attempted to make a web payment using an invalid bank account number. Additionally, two receipting errors occurred in Budget and Finance, totaling \$(15,138.23). In one instance, the amount was recorded under Newport Township instead of Nanticoke City; in the other instance, the municipal amount and County amounts were reversed and had to be adjusted. Therefore, Newport Township tax collection for 2016 balanced.

- Plains Township: The tax collector over paid Luzerne County by \$1.00 in April 2016.
- Wyoming Borough: The tax collector overpaid by \$18.00.
- Harveys Lake Borough: The tax collector transposed a figure when writing the check to Luzerne County, overpaying by \$18.00.
- Wilkes-Barre City: A discrepancy of \$3,236.77 was discovered between the amounts reported in New World and those reported in RBA. However, after investigating, we discovered five instances when checks were written with insufficient funds, totaling \$6,939.08. There was also a web fail for \$304.05, due to the taxpayer entering an incorrect bank account number. Two receipting errors totaling \$(4,006.36) were made, discovered, and corrected prior to our audit by the Tax Administrator. Prior to our audit, the Tax Administrator deactivated the erroneous code to further insure the same error does not happen again. Therefore, Wilkes-Barre City tax collection for 2016 balanced.
- Pittston City: A discrepancy of \$6,711.38 was found between the amounts reported in New World and those reported in RBA. However, after investigating, we discovered two instances when checks were written with insufficient funds, totaling \$6,287.95. Additionally, we found an instance where a web payment was cancelled and voided for \$423.43. Therefore, Pittston City tax collection for 2016 balanced.
- Nanticoke City: A discrepancy of \$17,456.39 was discovered between the amounts reported in New World and those reported in RBA. However, after investigating, we discovered three instances when checks were written with insufficient funds, totaling \$1,340.49. There were two web fails, which are failed attempts at online payments, totaling \$645.92; in both instances an incorrect account number was entered. Three receipting errors occurred in Budget and Finance, totaling \$14,955.75. In one instance, the amount was recorded under Newport Township instead of Nanticoke City; in the other instances, the municipal amount and county amounts were reversed and had to be adjusted. Finally, \$514.23 was refunded to a mortgage tax servicing company because it was paid in error. Therefore, Nanticoke City tax collection for 2016 balanced.
- Hazleton City: A discrepancy of \$4,476.10 was found between the amounts reported in New World and those reported in RBA. However, after investigating, we discovered seven instances when checks were written with insufficient funds, totaling \$4,174.86. Additionally, we found an issue with a mortgage tax servicing company that accounted for the other \$301.24; the issue was the fault of the mortgage tax servicing company. Therefore, Hazleton City tax collection for 2016 balanced.

Opinion and Conclusion

The Controller's Office reviewed and reconciled the property tax revenue with all Luzerne County Tax Collectors for the year ending 2016. This reconciliation revealed no material findings, misstatements or other non-compliance activities. We found a few processing errors, all of which had no financial impact. For example, we found a single instance where the RBA system showed an incorrect batch date used by the tax processor. The Treasurer's Office is now taking measures to prevent future occurrences.

Recommendations

1. A procedure should be implemented that all real estate tax deposits and their corresponding RBA report should be periodically reviewed and validated by a member of management.
2. In order to ensure accuracy, the Treasurer's Office should continue their measures to maintain a log of all batches deleted and reloaded.

Please Note:

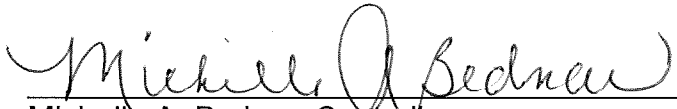
Luzerne County Home Rule Charter: Section 3.08 (C) 3


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 to this audit as prescribed, by 5:00 pm, January 28, 2019.

**Signature Page
Luzerne County Real Estate Tax Collections
Reconciliation of 2016**


Controller's Office:


Michelle A. Bednar, Controller 1/28/19
Date

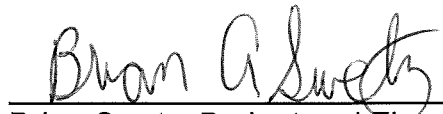

Wendy Saxe, Senior Auditor 2-5-19
Date

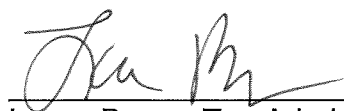

Nancy L. DeFluri, Auditor II 2-5-19
Date

County Manager's Office:


G. David Pedri, County Manager 1/28/19
Date

Luzerne County Administration:


Brian Swetz, Budget and Finance 1-24-2019
Date


Laura Beers, Tax Administrator 1-25-2019
Date

LUZERNE COUNTY
REAL ESTATE
TAX COLLECTION RECONCILIATION

REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2016 to DECEMBER 31, 2016

This report was initially distributed to the following:

Mr. David Pedri	Luzerne County Manager
Mr. Tim McGinley	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 at the Luzerne County Controller's Office. Media questions about the report may be directed to the Luzerne County Controller's Office at 20 North Pennsylvania Blvd., Suite 213, Wilkes Barre, PA 18701 or via email to Controllers.Office@luzernecounty.org.