



OFFICE OF THE CONTROLLER

***Dorrance Township Tax Collection  
Interim Compliance Audit  
for the  
2017 Tax Collection Period***

**Michelle A. Bednar**  
**Luzerne County Controller**

**Fieldwork Performed by:**  
**Nancy L. DeFluri**

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## **Introduction**

The largest source of revenue that funds Luzerne County government is the real estate property tax. This tax is collected by the independently elected tax collector for each municipality. The rate of taxation for Luzerne County (County) is called the "millage". Currently, the tax millage is 5.9754. In other words, for every \$1,000 in assessed value of a property, the tax is \$5.9754.

The tax collector receives real estate tax payments from individuals, banks and businesses and periodically submits payments and collection reports to the County, the municipality and the school district. School district taxes are billed separately.

If the taxpayer does not pay his real estate taxes by December 31, the taxes become delinquent and the tax collector may no longer accept payment from the taxpayer. Collection of delinquent taxes becomes the duty of Northeast Revenue Service, LLC, who oversees the Tax Claim Bureau located in the Luzerne County Courthouse.

Municipal tax collectors are elected to serve a four-year term and are responsible for collecting various taxes that vary by municipality (per capita, street lights, fire hydrants, County, municipal, school real estate, etc.). The tax collector must have been a resident of the municipality for at least one year prior to the election and must continue to reside there throughout his term.

The newly elected tax collector must be sworn in by taking an oath of office and must successfully complete six hours of Continuing Professional Education (CPE) credits annually to be considered "qualified", as required by Act 164.

The former tax collector of Dorrance Township in Luzerne County was elected into office in 2014, and held the position for four years. In 2017, Dorrance Township's total assessed value was \$187,253,400, with a total of 1,333 parcels. The surety bond coverage was for \$977,875. All tax collectors must provide a bond (insurance) to secure the taxing districts against any losses of tax funds.

## **Objective**

It's customary for the Controller's Office to conduct a compliance audit anytime there is a change in tax collector. Real estate tax collector audits are required by Pennsylvania state law to examine the final accounts, records, payments, returns, and duplicates of the affected taxing district. This compliance audit is intended to provide assurance that all tax payments collected by Dorrance Township were distributed to and received by the County and Municipality accurately, thus instilling a sense of confidence that public tax dollars are being fully collected and allocated. This audit also ensures a clean set of books for the new tax collector.

The Luzerne County Controller's Office strives to objectively and systematically evaluate functions, procedures, and activities to ensure that each are executed in the best, most efficient way. Our reviews are tailored to the unique circumstances of each office, and we work with management to ensure accountability and direction.

The Luzerne County Controller's Office is authorized by the Home Rule Charter of Luzerne County (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 office. This review is an internal function, authorized by the Charter. Therefore, the Controller is required to transmit this review to the Manager of Luzerne County and County Council and post it for public inspection in the Controller's Office and on the County website and/or other electronic medium 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 under the Controller's Office and report directly to the elected Controller. The audit staff is considered organizationally independent to conduct and report on the audit.

## Scope

In order to accomplish our objectives, the Controller's Office contacted the former tax collector and requested the following:

- Copies of paid taxpayer real estate tax receipts
- Copies of monthly deposit tickets
- All *original* bank statements (including 2018 statements, where 2017 checks have cleared)
- Copies of cancelled checks or bank printout of them
- All RBA reports, including Returns reports, Collections reports, and Exoneration reports
- Real Estate Tax Duplicate book

We then obtained from Northeast Revenue Service a Settlement Report. This is a list of delinquent taxes for the year 2017. These are the unpaid real estate property taxes listed on the Returns Report and/or in the Duplicate Book.

The Controller's Office also received the RBA settlement reports from the Luzerne County Tax Administrator's Office.

*Description of terms:*

**RBA** – “Robert K. Bailey and Associates”, the software system used by tax collectors and the County to record and process taxpayer payments

**Settlement report** – generated monthly in RBA for each municipality; this report shows the Net Cash collected by the County during the month; it also reflects the Duplicate Balance, which is the outstanding amount still owed

**Returns report** – the list of properties containing bill number, names, addresses, and amount of taxes not paid; these properties were sent to Northeast Revenue (Tax Claim)

**Collections report** – the list of all properties, including bill number, names and amount paid by taxpayer

**Exoneration report** – the list of properties that received an abatement, or a reduction, in the amount owed

**Real Estate Tax Duplicate book** – a detailed listing of all properties for which the tax collector collects monies. The tax collector keeps the Duplicate in a separate book and when the property owner makes payment, the tax collector records the date and amount paid. Also, any pertinent information, including how payment was made (e.g., check, escrow account).

## **Methodology**

The Controller’s Office began by organizing the source documents received from the tax collector. We then reconciled the tax collector’s account summary sheets (the tax collector made her own version of a check register in Excel) to the bank statements for each month. The tax collector’s summary sheets included expenses, deposits and balances.

- Expenses included check number, payable to, and amount paid.
- Deposits included date and total amount deposited per date.
- Balances included beginning balance and ending balance.

Next, we did a traceability test. It should be easy to follow any given parcel from duplicate to bill, to payment, to deposit and to disbursement. Typically, we randomly choose various payments to trace to the tax bill. For instance, in any one deposit, we need to be able to ascertain which tax bills’ payments are in that deposit. However, this tax collector did not have the check writers name or tax bill number in the deposit slip description column, only check dollar amounts were listed, so this part of our review was more challenging. Instead, it was necessary to look at entire deposits and recreate the details of a deposit by using the tax bill receipts.

The bank statements were then used to match the reported deposits. We then compared deposits with disbursements to Luzerne County. We also reviewed the original tax bills to confirm date of payment and the correct amount of real estate taxes with a "paid" notation.

Typically, we would compare the Real Estate Duplicate Book to the County's Returns Report. Instead, we compared parcels that were returned as unpaid from the tax collector to the Returns Report and matched those properties shown on Northeast Revenue's Settlement Report for 2017.

We were able to fully account for all taxes returned (i.e., sent to Tax Claim).

Billed	Total Returns	Tax @ Face
2-8-2017	76	\$59,618.97
5-8-2017 for 2016	1	\$13.50
5-8-2017	1	\$144.60
9-1-2017	5	\$2,429.59
Total	83	\$62,206.66

An abatement is a reduction of taxes for the current year, whereas a refund is a reduction in property tax from a prior year. All abatements were identified on the Exoneration Report.

Using New World (the Countywide Financial System), refund transactions were accurately issued to taxpayers and mailed out in a timely fashion. In addition, the Controller's Office ensured commissions were paid to the tax collector.

### **Condition 1—Need for Improved Recordkeeping**

If deposit slips are not detailed, a tax collector must record each tax payment with payer's name, tax bill number, date of collection and amount received.

#### **Effect**

By not keeping daily details of the tax collection process, the Controller's Office found it necessary to recreate the details of a deposit, a very cumbersome process.

#### **Cause**

Tax collector didn't realize the detailed information would be needed by the auditors.

## Observations

1. The Controller's Office greatly appreciated the precise order in which this tax collector organized her records.
2. Deposit slips showed the bank receipt stamp confirming the funds were deposited.
3. Tax bills were appropriately marked with dollar amount circled to show what period (discount, face, penalty) the bill was paid and the date paid.
4. An accurate reporting was completed using the Department of Community and Economic Development (DCED) approved reconciliation report.
5. A non-interest bearing checking account was properly used and it was confirmed this account has been closed.

## Recommendations

The Controller's Office recommends a collection journal of daily records be used. This journal should include date of collection, tax notice number, payer's name and amount received, as well as in which period (discount, face, penalty) it was paid.

## Summary

It is our opinion that the taxes collected by the Dorrance Township Tax Collector were properly collected, accounted for, and remitted to Luzerne County.

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, November 29, 2018.**

**Signature Page  
Dorrance Township Tax Collection Interim Compliance Audit  
Tax Year 2017**

**Controller's Office:**

Michelle A. Bednar 11/30/18  
Michelle A. Bednar, Controller Date

Nancy L. DeFluri 11-30-18  
Nancy L. DeFluri, Auditor II Date

**County Manager's Office:**

C. David Pedri 11/30/18  
C. David Pedri, County Manager Date

**Former Tax Collector:**

Julia Vencak Former Dorrance TWP Tax Collector 11-26-18  
Julia Vencak, Former Dorrance Township Tax Collector Date



Dorrance Township  
Tax Collection Interim Compliance Audit  
Tax Year 2017

This report was initially distributed to the following:

Mr. David Pedri	Luzerne County Manager
Mr. Tim McGinley	County Council Chair
Ms. Julia Vencak	Former Dorrance Township Tax Collector
Mr. Gary Zane Mr. Bill Wengrzynek Mr. Kevin Gallagher	Dorrance Township Supervisors

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](mailto:Controllers.Office@luzernecounty.org).