

Controller's Annual Report

Michelle A. Bednar, Controller

March 12, 2019



This Presentation Will:

- Present an annual report to the people of Luzerne County at a Council meeting
- Highlight the operations and finances of the Controller's Office during the prior year
- Identify audits completed, major findings, corrective actions taken by appropriate parties, and significant issues not fully addressed

Controller's Office Staff

- Mark Majikes, Deputy Controller
- Wendy Saxe, Senior Auditor
- Nancy DeFluri, Auditor II
- Susan Yozwiak, Internal Auditor

Responsibilities of the Controller

- Serve as an independent watchdog over County fiscal and management activities
- Monitor and examine the County government and its operations
- Have the authority to conduct fiscal, performance, management, contract, grant, compliance, and/or related audits

Who Can We Audit?

- Per §3.08 of the Home Rule Charter, we have the authority to audit any County division, department, bureau, office, agency, authority, board, commission, elective office, the Judiciary, Office of Court Administration, or other administrative unit.
- All County activities are subject to audit!!!

Classifications of Audits

- Class One: Statutory state-mandated audits
- Class Two: Discretionary audits, based on individual priority and staff availability
- Class Three: High Priority
 - Not generally known ahead of time
 - Require immediate attention and have priority over Class One & Class Two audits

What We Do:

- Auditing
- Compliance

We **DO NOT** oversee Accounts Payable!!

What Do We Look For?

- Fraud
- Human Error
- Separation of Duties
- Inefficiencies in Operations
- Inadequate Checks and Balances
- Non-Compliance with Rules and Regulations

Controller's Office Finances

Account	Account Description	2018 Amended Budget	2018 Expenditures	2019 Budget
510.1	Wages Elected Officials	64,999	64,999	64,999
510.15	Wages Non-Represented	134,000	121,203	134,000
510.2	Wages Represented	36,414	36,597	37,415
510.35	Wages Overtime	-	27	30
520.1	Payroll Taxes Social Security - FICA	14,696	13,522	14,658
520.15	Payroll Taxes Medicare	3,423	3,162	3,428
520.2	Payroll Taxes Unemployment	3,000	1,461	3,000
530.1	Benefits Health Care Opt Out	3,000	1,750	1,500
530.4	Benefits Life Insurance	800	-	800
540.14	Office Supplies	850	441	850
540.7	Small Tools and Minor Equipment	-	-	-
540.73	Postage	-	-	-
550.17	Management / Consulting Services	-	-	-
550.19	Special Legal Services	-	-	2,000
550.27	Travel Expense	4,870	4,811	4,870
550.29	Mileage Reimbursement	830	284	830
550.3	Advertising	200	168	200
550.32	Printing	200	-	200
550.47	Repairs / Maintenance - Machinery & Equipment	500	-	500
550.48	Repairs / Maintenance - Misc	-	-	-
560.23	Background Check	80	-	80
560.6	Dues / Memberships	600	600	600
560.61	Subscriptions	-	-	-
560.64	Meeting / Conference/ Training Fees	3,220	3,115	3,220
599.46	Machinery and Equipment > \$5000.00	-	-	-
Expense Totals		\$ 271,682	\$ 252,140	\$ 273,180

2018 Audits Completed

Description

Employee Health
Insurance Audit, 2017

Findings/ Recommendations/Actions Taken

- Personnel policy handbook contains outdated information
- 24 confirmed billing errors out of 1,258 enrollees
- 1 error found by HR; affected person is on a repayment plan
- Luzerne County is owed \$6,770 from enrollees and owes \$4,018 to enrollees; the net amount is \$2,752

2018 Audits Completed

Description

Hotel Occupancy Tax
with regard to
Complimentary Rooms
and Hotel Rewards
Audit

(Traditional Hotel)

Findings/ Recommendations/Actions Taken

- Luzerne County Hotel Room Rental Tax Ordinance supports position that complimentary rooms are not subject to hotel tax
- PA Department of Revenue exempts complimentary room revenue from sales tax
- Industry standard is that if no money was paid and no revenue reported to PA (for sales tax purposes), then no hotel tax is owed
- PA Dept of Revenue Board of Appeals ruled that free hotel rooms received as part of rewards program redemptions are not taxable
- Precedent has already been set in other states
- Solicitor's Office agreed that complimentary rooms at a traditional hotel are not taxable

2018 Audits Completed

Description

Hotel Occupancy Tax with regard to Complimentary Rooms and Hotel Rewards Audit (continued)

(Casino/Hotel)

Findings/ Recommendations/Actions Taken

- Mohegan Sun at Pocono Downs (MSP) is the only casino/hotel in Luzerne County
- MSP has not participated in any gaming junkets
- MSP's loyalty program is called Momentum or Player's Club
 - Rewards are earned based on risk the patron is willing to take
 - Rewards are not based on revenue casino earns
 - Rewards can be redeemed for an array of items, including a hotel room
 - MSP pays hotel tax on rooms and upgrades purchased with Momentum Dollars
- MSP's complimentary rooms correspond to Marriott Rewards, which in our view, are not subject to hotel tax
- MSP pays hotel tax on all hotel rooms purchased by patrons, with or without Momentum Dollars
- Solicitor's Office believes complimentary rooms at a casino/hotel are taxable & plans to pursue collection of related taxes

2018 Audits Completed

Description

Hotel Occupancy Tax
with regard to
Complimentary Rooms
and Hotel Rewards
Audit (continued)

(Casino/Hotel)

Findings/ Recommendations/Actions Taken

- Our position is:
 - If there is a value associated with amounts earned that are then converted to a hotel room, it is subject to hotel tax
 - If no value has been attributed to the use of a complimentary room because it was acquired through a marketing program, it is not subject to hotel tax
 - Supported by Treasurer's Association and common practices of other counties with casinos
- We believe:
 - Hotel rewards & complimentary rooms should not be subject to hotel tax
 - MSP should continue to pay hotel tax on Momentum Dollar hotel room purchases & upgrades
- Since the Convention Center receives 80% of any hotel tax revenues, we recommend the Solicitor's Office involve the Convention Center's legal team if/when they pursue legal action against MSP

2018 Audits Completed

Description

Hotel Room Rental Tax
Audit, Mohegan Sun at
Pocono Downs, 2016

District Court 11-1-06
(Barilla), 2017

Findings/ Recommendations/Actions Taken

- Adequate records were maintained
- Hotel revenues included amounts for complimentary rooms
- Our calculations reflect that MSP is owed \$7,323 as a result of the overpayment

- No findings

2018 Audits Completed

Description

Findings/ Recommendations/Actions Taken

DA Asset Forfeiture
2017

- No findings (Mandatory Annual Audit)

DA Equitable Sharing
2017

- No findings (Mandatory Annual Audit)

DA Equitable Sharing
2018

- No findings (Mandatory Annual Audit)

2018 Audits Completed

Description

Hotel Tax Audit
Host Inn
Jan – Mar 2018

Findings/ Recommendations/Actions Taken

- Concern over hotel tax exemption amount being larger than gross receipts
- Discovered the reason: hotel tax refunds were being issued for prior months' activity
- Reviewed 100% of invoices; confirmed complete accuracy
- 17 instances found where Host Inn underreported exemptions, causing them to overpay hotel tax
- Overpayment to County of \$51
- Host Inn met with those hotel employees who report exemption amounts & have addressed procedures so that accurate reporting will follow

2018 Audits Completed

Description

Correctional Facility
Commissary Funds
Audit (LCDDOC)
2016

Findings/ Recommendations/Actions Taken

- Found that 2 of 3 recommendations from prior year have been implemented; third one was delayed until computer system could be upgraded
Follow up: New system did go live April 2018
- LCDDOC alerted us to the fact that Keefe Commissary—the outside vendor—has sent incorrect quantities, billed for items not sent, and issued incorrect credits
 - When notified of errors, Keefe would credit the inmates' account but failed to reflect credit in the invoice sent to LCDDOC
 - It's estimated Keefe owes LCDDOC **Inmate Account** over \$65,000 (this is **not** money owed to County)
 - Follow up: This was corrected 10/31/18 when \$62,522 was received from Keefe and deposited to the Inmate Account

2018 Audits Completed

Description

Findings/ Recommendations/Actions Taken

Fairview Township
Tax Collection Interim
Compliance Audit
2017

- No findings

Nescopeck Township
Tax Collection Interim
Compliance Audit
2017

- No findings

2018 Audits Completed

Description

Dorrance Township
Tax Collection Interim
Compliance Audit
2017

Findings/ Recommendations/Actions Taken

- Need for improved recordkeeping
- Recommendation to keep a daily journal that includes date of collection, tax bill number, payer's name, amount received, and in which period it was paid

2018 Audits Completed

Description

Union Township
Tax Collection Interim
Compliance Audit
2016

Union Township
Tax Collection Interim
Compliance Audit
2017

Findings/ Recommendations/Actions Taken

- We found no evidence of any missing monies; however, we believe there were monies incorrectly or insufficiently paid to the proper authority (which have been corrected)
- We believe the remaining bank balance does not belong to any of the three authorities; instead, we believe it belongs to a taxpayer(s)
- Township manager and supervisors agreed with our recommendations
- No findings

2018 Audits Completed

Description

Findings/ Recommendations/Actions Taken

Real Estate Tax
Collections Audit
2016

- We found a few processing errors (no financial impact), but no material findings, misstatements, or other non-compliance activities

Real Estate Tax
Collections Audit
2017

- We found a few processing errors (no financial impact), but no material findings, misstatements, or other non-compliance activities

2018 Audits Completed

Description

Yatesville Borough
Tax Collection Interim
Compliance Audit
2018

Edwardsville Tax
Collection Interim
Compliance Audit
2017

Findings/ Recommendations/Actions Taken

- Failure to appoint a deputy, resulting in no one assigned to collect taxes in the absence of tax collector (not mandatory, but is customary)
- Lack of checkbook reconciliation
- Multiple clerical errors
- Lack of detailed deposit slips
- No missing monies

2018 Audits Completed

Description

Tax Collector Bonds
Compliance Review
2018

Findings/ Recommendations/Actions Taken

- Invalid bond presented by the Hazle Township tax collector
- New bond presented was issued to and signed by former tax collector; therefore, bond is incorrect and doesn't meet state law
- We recommended Hazle Township Supervisors rectify the issue, since bills could not be printed in the elected tax collector's name

2019 Audits In Process

Description

Shickshinny Tax Collection 2016, 2017

Foster Township Tax Collection 2018

2018 Real Estate Tax Collections

LCDOC Commissary Fund 2017

Convention and Visitor's Bureau

Valley Aviation (Forty-Fort Airport) 2014-2017

2019 Audits Proposed

Description

Comments

DA Asset Forfeiture

- Required annually

LCDOC Commissary Fund
2018

- Verify payments; review procedures

Treasurer's Office

- Compliance review

2019 Audits Proposed (continued)

Description

Comments

Probation Services, Court Collections Division

- Follow up on court-ordered restitution from previous LCDOC audit

Coroner's Office

- Conduct compliance review, in preparation for multiple retirements within the office

County Fuel Review

- Verify compliance with procedures

Our CESIL Hotline

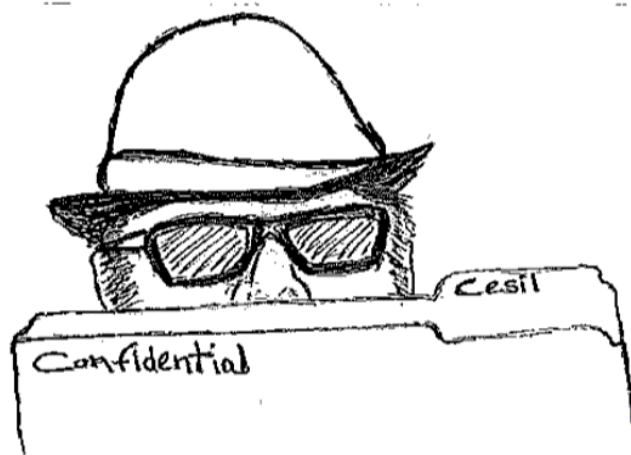
Citizen &

Employee

Suggestion &

Idea

Line



Hotline: (570) 830-5154

Email: CESIL@luzernecounty.org

All Submissions Are Kept Confidential



Thank You!