



COUNTY of LUZERNE

P E N N S Y L V A N I A

ESTABLISHED 1786

OFFICE OF THE CONTROLLER

Plymouth Borough

Tax Collection

Compliance Audit

For the period:

January 1, 2011 through December 31, 2013

Michelle A. Bednar
Luzerne County Controller

Fieldwork Performed By:
Nancy L. DeFluri
Mark F. Majikes

Background:

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 5.456 mills. In other words, for every \$1,000 in assessed value of a property the tax is \$5.456.

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

If a 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, who oversees the Tax Claim Department in the Luzerne County Courthouse.

A municipal tax collector is elected to a four-year term and is responsible for collecting various taxes that vary by municipality (per capita, street lights, fire hydrants, County, municipal, and school real estate, etc.). The tax collector must have been a resident of the municipality for one year before the election and must continue to reside there throughout his term. The municipal tax collector and his appointed deputy must be bonded (insured).

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

Introduction:

The Controller's Office reconciles all tax payments collected, reported and remitted to Luzerne County every year. The tax collector typically has two checking accounts, one for County/Municipal Real Estate taxes collected and the other for School District taxes. We review only those bank accounts that hold County funds.

In the event of a vacancy in the office of tax collector, whether by death, resignation, removal from the municipality or otherwise, the municipal codes require an interim audit of the tax collector's account.

This interim audit is the result of the prior Plymouth Borough tax collector (former) resigning as of August 2013 and a new Plymouth Borough tax collector (current) being appointed to fill the vacancy on August 11, 2013. Therefore, the Controller's Office conducted an audit of Luzerne County's portion of Plymouth Borough tax collections, including uncollected delinquent taxes, for the years 2011 through 2013.

Objective:

The purpose of this audit was to provide assurance that all funds collected for the County were delivered to the County. The audit included examining the amounts reported as paid on the Robert K. Bailey and Associates (RBA) Professional Data Systems (the program used by the tax collectors), as compared to the funds disbursed to the County and reported on New World (the County-wide financial system). We also examined uncollected delinquent taxes for the years 2011 through 2013.

Scope:

The Controller's Office contacted the former tax collector and requested:

- Copies of paid taxpayer real estate tax receipts
- Copies of monthly deposit tickets
- All original bank statements
- Copies of cancelled checks
- Duplicate tax booklet
- Collection Reports from the RBA system
- Journals and other information that may be required in the conduct of this audit

We also requested the same documents from the current tax collector, for the 2013 tax year. In addition, we asked Northeast Revenue Services for all taxes that were delinquent for the 2011, 2012, and 2013 tax years. Let it be noted that we were unable to acquire all documents needed from the former tax collector, mainly cancelled checks and detailed deposit tickets.

Our audit was tailored to the unique circumstances of Plymouth Borough. We worked with both tax collectors to get a better understanding of their transition in 2013.

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 the audit.

Methodology:

The Controller's Office reviewed bank statements, withdrawals, receipted tax bills, and deposit records. We also evaluated the methods used for reconciling bank accounts, recording cash receipts and disbursements, making deposits and controlling tax duplicates.

Additionally, this audit included examining reports which pertained to the collection of the County's real estate taxes from the RBA system. Using the New World Financial System, we extracted information regarding payment of County taxes from the municipal tax collectors. By examining these reports, we were able to compare the amounts Luzerne County should have received to what Plymouth Borough paid the County. For the 2011-2013 tax years, all amounts matched.

In order to accomplish our second objective, we reviewed the Tax Collectors Collection Reports and extracted all the returns (delinquent taxes) on an Excel spreadsheet. We then compared the dollar amounts to the delinquent lists from Northeast Revenue. All dollar amounts matched the corresponding lists.

Findings:

The Controller's Office calculated an excess balance of \$2,113.51 in the County/Municipal checking account. After a lengthy review, we found no fraudulent activity. However, we did find a real estate school district tax payment in the amount of \$1,011.62 deposited into the County/Municipal Account.

Based on the limited information we received and the scope of our audit, we were unable to determine where the remaining balance of \$1,101.89 ($\$2,113.51 - \$1,011.62 = \$1,101.89$) belongs. However, we have determined that it does not belong to Luzerne County.

It was observed that the former tax collector did not have enough information to be able to link specific tax bills to specific deposits.

Condition:

Although not a finding, When the Controller's Office received the tax bill receipts, they were organized according to ward and bill number. In order to conduct our audit, we reorganized the tax bill receipts according to the date paid.

Recommendations:

- Monthly Bank-to-Book reconciliations would assist in the detection of record-keeping errors
- Plymouth Borough tax office should remit to Wyoming Valley West School District the amount of \$1,011.62, which was incorrectly deposited to the County/Municipal bank account
- Tax Receipts should be retained in the order in which they were received (i.e., filed by date of receipt, not by consecutive bill number)

Please Note:

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

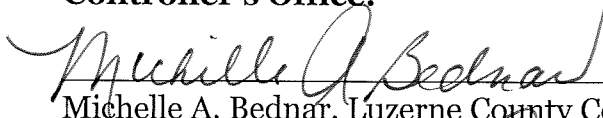
The audited entity shall respond in writing, specifying agreement with the audit findings and/or recommendations or stating the reasons for disagreement with the findings and/or recommendations, along with any plans and timetable for implementing remedies. The response shall be provided to the Controller 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.

Fourteen Days from the Audit date is: May 12, 2017

Please attach any additional written responses to this audit.

**Signature Page
Plymouth Borough Audit
2011-2013**

Controller's Office:



Michelle A. Bednar, Luzerne County Controller

5/12/17
Date



Nancy L. DeFuria, Auditor

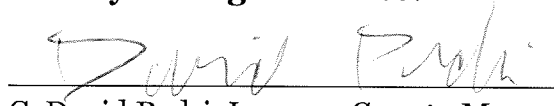
5/12/17
Date



Mark F. Majikes, Internal Auditor

05/12/2017
Date

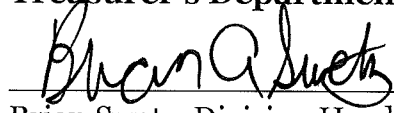
County Manager's Office:



C. David Pedri, Luzerne County Manager

5/12/17
Date

Treasurer's Department:



Brian Swetz, Division Head of Budget and Finance

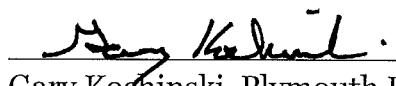
5/12/17
Date



Laura Beers, Tax Administrator


5/11/17
Date

Plymouth Borough:



Gary Kochinski, Plymouth Borough Council President

4/28/17
Date



Gail Burdulis, Former Plymouth Borough Tax Collector

4/28/2017
Date

LUZERNE COUNTY
PLYMOUTH BOROUGH AUDIT
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2013

This report was distributed to:

Mr. C. David Pedri	Luzerne County Manager
Ms. Linda McCloskey Houck	Luzerne County Council Chair
Mr. Brian Swetz	Director of Budget and Finance
Ms. Laura Beers	Luzerne County Tax Administrator
Mr. Gary Kochinski	Plymouth Borough Council President
Ms. Gail Burdulis	Plymouth Borough Tax Collector

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