

COUNTY of LUZERNE

P E N N S Y L V A N I A
E S T A B L I S H E D 1 7 8 6

OFFICE OF THE CONTROLLER

***Compliance Review of
Tax Collector Bonds
For the Year 2018***

Michelle A. Bednar
Luzerne County Controller

Fieldwork Performed by:
Mark F. Majikes

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Background

The largest source of revenue that funds Luzerne County government is the real estate property tax. In order to receive these funds, the County relies on tax collectors to collect and distribute the funds to the proper authorities - school, municipality, and County.

Due to the risk involved with collecting money, tax collectors are mandated to be bonded. A bond is a legal promise of a personal or corporate surety to be responsible for and to reimburse the taxing district for the losses of the tax collector, up to the amount of the bond, from causes stipulated on the bond. According to the Tax Collector Manual, "All tax collectors must provide a bond to secure the respective taxing districts against any losses of tax funds" and "Failure of the tax collector to give bond creates a vacancy in boroughs and second class townships. In cities and first class townships, failure to give bond results in a failure to qualify for office." In simpler terms, this means if a tax collector is not bonded, that person cannot be the tax collector.

Objective and Scope

The objective of this compliance review is to verify that all Luzerne County tax collectors are properly bonded for the correct amount.

In order to accomplish the objective, the Controller's Office obtained from the Treasurer's Office and Clerk of Courts:

- A list of all current Luzerne County tax collectors
- Proof of Bonds for each tax collector
- A list of the face value of the total taxes (school, municipality, and County) for which each tax collector is responsible

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.

Methodology

In order to accomplish our objective, the Controller's Office used the documents listed above to create an Excel spreadsheet (Exhibit A). First, we entered all the known information. The known information was the municipalities and the tax collectors names. Then, we entered the total taxes (at face value) for which each tax collector is responsible. This figure is important because the bond amount is based on a percentage of this figure. Next, we inspected each bond to verify that each tax collector's bond was in compliance. We checked to make sure the bond amount, all three taxing districts, and the tax collector's name was on each bond. We then entered the bond amount into the Excel spreadsheet.

In order to verify the bond amount on each bond was correct, we first had to know what class each township was. All townships are second class townships in Luzerne County except for one, Hanover Township. Hanover Township is a first class township. First class township's tax collectors must be bonded for no less than 50% of the taxable amount, but not more than 100% according to the Tax Collector's Manual. All other townships/cities/boroughs in Luzerne County have a standard bond amount of 1/3 or 33.33% of the taxable amount.

Once we had this information, we were able to verify the bond amounts. We verified them by multiplying the taxable amounts by 33.33% for all townships, other than Hanover Township, and checking the difference between that figure and the actual bond amount. There are multiple instances where there is a slight difference (under one dollar) between the calculated amounts and the actual bond amounts, and these non-material differences are due to rounding. Hanover Township was exactly 50% of the taxable amount.

Observations

1. Jackson Township's tax collector is bonded for 33.73% of the total taxes instead of the standard 33.33%. This is only a small difference and, since it's not lower, is not a concern. The Controller's Office considers this an observation rather than a finding. We will be contacting the tax collector to inform her of this information; it will be up to her if she chooses to change the bond to 33.33%.

2. The Treasurer's Office is responsible for collecting the County's portion of taxes for four cities and County and municipal's portion of Newport Township's taxes. The Tax Administrator in the Treasurer's Office has one bond for the three cities for a total of \$5,000,000.00 and is bonded for \$500,000.00 for Newport Township's portion of taxes, both of which are higher than the standard 33.33%.

Finding

The Controller's Office found that an invalid bond was presented by the Hazle Township tax collector, who submitted a new bond that was issued to and signed by the former tax collector. Therefore, this means the bond is incorrect and does not meet state law. *Pennsylvania Statutes Title 72 P.S. Taxation and Fiscal Affairs § 5511.4 Bonds of tax collectors (b)* states: "In boroughs, towns and townships of the first or second class, the elected tax collector shall be the collector of borough, town or township taxes, as the case may be, and of county, county institution district, school district and vocational school district taxes. He shall, before he enters upon the duties of his office, take and subscribe an oath of office and file the same in the office of the clerk of the court of common pleas of the county. He shall enter into one surety bond to the Commonwealth for all taxes to be collected by him, in an amount to be fixed by the court of common pleas of the county, which amount shall never exceed the estimated amount of taxes charged in the duplicates to be delivered to him in one year." This statute clearly states that it is the tax collector who is to be bonded, not a substitute. To further prove this point, the Deputy tax collector (if one is appointed), falls under the umbrella of the tax collector's bond according to *Pennsylvania Statutes Title 72 P.S. Taxation and Fiscal Affairs § 5511.2.22 Deputy tax collectors, which states*: "Any tax collector, appointing any deputy collector, shall be responsible for and account to the taxing district for all taxes received or collected by his deputy."

Recommendation

The Controller's Office recommends Hazle Township's Supervisors review the State Statutes stated above and rectify this issue, accordingly. According to the law, the elected tax collector has until the fifteenth day of March to file a valid bond with the office of the Clerk of Courts. Since there is no valid bond on file at this time, no tax bills can be printed in the elected tax collector's name. Due to this deadline, the Controller's Office will be contacting Hazle Township's Supervisors and Solicitor, along with the Hazleton Area School District's Superintendent and Treasurer, to make them aware of the matter.

Exhibit A

	Municipality	Tax Collector	Bonded (Y/N)	Face Value of Tax (A)	33.33% Of Tax (B)	Actual Bonded Amount (C)	DIFFERENCE (C) - (B)	% (C) / (A)
1	Ashley Borough	Robert Shoemaker	Y	\$ 2,238,557.00	\$ 746,111.05	\$ 746,112.00	\$ 0.95	33.33%
2	Avococa Borough	Theresa Wrubel	Y	\$ 2,566,960.00	\$ 855,567.77	\$ 855,568.00	\$ 0.23	33.33%
3	Black Creek Township	Sandra Houseknechy	Y	\$ 4,031,566.00	\$ 1,343,720.95	\$ 1,343,720.97	\$ 0.02	33.33%
4	Bear Creek Township	Tracy O'Day	Y	\$ 6,284,447.00	\$ 2,094,606.19	\$ 2,094,606.26	\$ 0.07	33.33%
5	Buck Township	Deborah Picard	Y	\$ 1,000,462.00	\$ 333,453.98	\$ 333,454.00	\$ 0.02	33.33%
6	Butler Township	Nancy Frederick	Y	\$ 13,887,885.00	\$ 4,628,832.07	\$ 4,628,836.00	\$ 3.93	33.33%
7	Courtdale Borough	Marla Bocci	Y	\$ 874,136.00	\$ 291,349.53	\$ 291,349.38	\$ (0.15)	33.33%
8	Conyngham Borough	Madelyn Lawson	Y	\$ 2,791,845.00	\$ 930,521.94	\$ 930,522.00	\$ 0.06	33.33%
9	Conyngham Township	Sandy Walp	Y	\$ 1,160,198.00	\$ 386,693.99	\$ 386,693.88	\$ (0.11)	33.33%
10	Dallas Township	Holly Daubert	Y	\$ 14,526,614.00	\$ 4,841,720.45	\$ 4,841,721.00	\$ 0.55	33.33%
11	Dallas Borough	Mark Van Etten	Y	\$ 4,838,988.00	\$ 1,612,834.70	\$ 1,612,835.00	\$ 0.30	33.33%
12	Dorrance Township	Beverly Lukashewski	Y	\$ 3,103,444.00	\$ 1,034,377.89	\$ 1,034,378.00	\$ 0.11	33.33%
13	Dennison Township	Vicki Glaovannucci	Y	\$ 1,457,479.00	\$ 485,777.75	\$ 485,778.00	\$ 0.25	33.33%
14	Duryea Borough	Martin Hanczy	Y	\$ 6,065,865.00	\$ 2,021,752.80	\$ 2,021,753.00	\$ 0.20	33.33%
15	Dupont Borough	Joy Tellak Adelstein	Y	\$ 3,158,608.00	\$ 1,052,764.05	\$ 1,052,764.00	\$ (0.05)	33.33%
16	Exeter Borough	Thomas Pizano	Y	\$ 6,953,864.00	\$ 2,317,722.87	\$ 2,317,723.00	\$ 0.13	33.33%
17	Exeter Township	Wayman Smith	Y	\$ 3,395,926.00	\$ 1,131,862.14	\$ 1,131,862.00	\$ (0.14)	33.33%
18	Edwardsville Borough	Carol Brawley	Y	\$ 4,925,131.00	\$ 1,641,546.16	\$ 1,641,546.18	\$ 0.02	33.33%
19	Fairmount Township	Jennifer Zylco	Y	\$ 1,715,725.00	\$ 571,851.14	\$ 571,851.04	\$ (0.10)	33.33%
20	Fairview Township	Karen McGulnes	Y	\$ 6,419,292.00	\$ 2,139,550.02	\$ 2,139,550.19	\$ 0.17	33.33%
21	Forty Forth Borough	Thomas Alexander	Y	\$ 5,783,231.00	\$ 1,927,550.89	\$ 1,927,550.86	\$ (0.03)	33.33%
22	Freeland Borough	James Laputka	Y	\$ 2,299,774.00	\$ 766,514.67	\$ 766,515.00	\$ 0.33	33.33%
23	Foster Township	Lee Ann Gara	Y	\$ 4,036,853.00	\$ 1,345,483.10	\$ 1,345,483.00	\$ (0.10)	33.33%
24	Franklin Township	Brett Slocum	Y	\$ 2,643,975.00	\$ 881,236.87	\$ 881,236.82	\$ (0.05)	33.33%
25	Hanover Township	Mildred Luba	Y	\$ 19,316,354.00	\$ 9,658,177.00	\$ 9,658,177.00	\$ -	50.00%
26	Hazle Township	Ryan Decosmo	N	\$ 24,696,643.00	\$ 8,231,391.11	Not a valid bond	\$ (8,231,391.11)	0.00%
27	Hollenback Township	Julle Hart	Y	\$ 1,268,860.00	\$ 422,911.04	\$ 422,910.94	\$ (0.10)	33.33%
28	Hughestown Borough	John Poll	Y	\$ 1,679,626.00	\$ 559,819.35	\$ 559,819.36	\$ 0.01	33.33%
29	Hunlock Township	Joann Blaine	Y	\$ 2,466,248.00	\$ 822,000.46	\$ 822,000.19	\$ (0.27)	33.33%
30	Huntington Township	Linda Sittler	Y	\$ 2,475,631.00	\$ 825,127.81	\$ 825,127.84	\$ 0.03	33.33%
31	Jackson Township	Jacqueline Latosek	Y	\$ 5,031,968.00	\$ 1,677,154.93	\$ 1,697,155.00	\$ 20,000.07	33.73%
32	Jeddo Borough	Gladys N Burns	Y	\$ 19,144.00	\$ 6,380.70	\$ 6,381.00	\$ 0.30	33.33%
33	Jenkins Township	Genevieve Mudlock	Y	\$ 9,878,647.00	\$ 3,292,553.05	\$ 3,292,553.00	\$ (0.05)	33.33%
34	Kingston Borough	Rebecca Pinkowski	Y	\$ 17,569,074.00	\$ 5,855,772.36	\$ 5,855,773.00	\$ 0.64	33.33%
35	Kingston Township	Tara Oliver	Y	\$ 11,521,475.00	\$ 3,840,107.62	\$ 3,840,108.00	\$ 0.38	33.33%
36	Lafin Borough	Charles Boyd Jr.	Y	\$ 3,294,979.00	\$ 1,098,216.50	\$ 1,098,216.00	\$ (0.50)	33.33%
37	Lake Township	Laura Eldarkin	Y	\$ 2,641,408.00	\$ 880,381.29	\$ 880,382.00	\$ 0.71	33.33%
38	Larksville Borough	Sharon Felstl	Y	\$ 5,252,796.00	\$ 1,750,756.91	\$ 1,750,757.00	\$ 0.09	33.33%
39	Larurel Run Borough	Maryann Harkenreader	Y	\$ 600,110.00	\$ 200,016.66	\$ 200,017.00	\$ 0.34	33.33%
40	Lehman Township	Peggy Moyer	Y	\$ 5,559,313.00	\$ 1,852,919.02	\$ 1,852,919.00	\$ (0.02)	33.33%
41	Luzerne Borough	John Lehman	Y	\$ 2,466,087.00	\$ 821,946.80	\$ 821,946.86	\$ 0.06	33.33%
42	Nanticoke City	Luzerne County Treasurer's	Y	\$ 2,146,074.00	\$ 715,286.46	\$ 1,250,000.00	\$ 534,713.54	58.25%
43	Nescopeck Borough	Donna L Shoemaker	Y	\$ 1,106,288.00	\$ 368,725.79	\$ 368,726.00	\$ 0.21	33.33%
44	Nescopeck Township	Carolyn K Superko	Y	\$ 1,442,390.00	\$ 480,748.59	\$ 480,749.00	\$ 0.41	33.33%
45	New Columbus Borou	Linda Sittler	Y	\$ 213,474.00	\$ 71,150.88	\$ 71,151.00	\$ 0.12	33.33%
46	Newport Township	Luzerne County Treasurer's	Y	\$ 1,279,050.00	\$ 426,307.37	\$ 500,000.00	\$ 73,692.64	39.09%
47	Nuangola Borough	Bonnie Nenstiel	Y	\$ 1,171,807.00	\$ 390,563.27	\$ 390,563.00	\$ (0.27)	33.33%
48	Plymouth Borough	Barbara Defflaro	Y	\$ 4,428,199.00	\$ 1,475,918.73	\$ 1,475,918.00	\$ (0.73)	33.33%
49	Plymouth Township	Len Bartosiewicz	Y	\$ 1,871,236.00	\$ 623,682.96	\$ 623,683.00	\$ 0.04	33.33%
50	Plains Township	Gloria Chlucchi	Y	\$ 20,478,114.00	\$ 6,825,355.40	\$ 6,825,355.41	\$ 0.01	33.33%
51	Pittston Township	Rita Timonte	Y	\$ 10,381,230.00	\$ 3,460,063.96	\$ 3,460,064.00	\$ 0.04	33.33%
52	Pringle Borough	Mark Zamoski	Y	\$ 1,035,934.00	\$ 345,276.80	\$ 345,277.00	\$ 0.20	33.33%
53	Rice Township	Joan Kogut	Y	\$ 5,395,220.00	\$ 1,798,226.83	\$ 1,798,226.73	\$ (0.10)	33.33%
54	Ross Township	Kimberly Holcomb	Y	\$ 3,424,189.00	\$ 1,141,282.19	\$ 1,141,283.00	\$ 0.81	33.33%
55	Salem Township	Tina Gray	Y	\$ 9,094,799.00	\$ 3,031,296.51	\$ 3,031,297.00	\$ 0.49	33.33%
56	Shickshinny Borough	Joann Blaine	Y	\$ 436,698.00	\$ 145,551.44	\$ 145,552.00	\$ 0.56	33.33%
57	Slocum Township	Judith Petlak	Y	\$ 1,183,487.00	\$ 394,456.22	\$ 394,457.00	\$ 0.78	33.33%
58	Sugarloaf Township	Jenifer Pecora	Y	\$ 6,927,580.00	\$ 2,308,962.41	\$ 2,308,963.00	\$ 0.59	33.33%
59	Swoyersville Borough	Nancy Keating	Y	\$ 5,394,221.00	\$ 1,797,893.86	\$ 1,797,893.90	\$ 0.04	33.33%
60	Sugar Notch Borough	Mary Marsha Panetta	Y	\$ 1,004,735.00	\$ 334,878.18	\$ 334,878.00	\$ (0.18)	33.33%
61	Union Township	Jane Featherman	Y	\$ 2,520,608.00	\$ 840,118.65	\$ 840,119.00	\$ 0.35	33.33%
62	Warrior Run Borough	Mary Ann Brodinski	Y	\$ 806,737.00	\$ 268,885.44	\$ 268,886.00	\$ 0.56	33.33%
63	West Hazleton Borou	Diane Dutz	Y	\$ 4,402,941.00	\$ 1,467,500.24	\$ 1,467,501.00	\$ 0.76	33.33%
64	Wright Township	Barbara Macko	Y	\$ 9,841,923.00	\$ 3,280,312.94	\$ 3,280,312.97	\$ 0.03	33.33%
65	West Pittston Borough	George Miller	Y	\$ 5,772,382.00	\$ 1,923,934.92	\$ 1,923,935.00	\$ 0.08	33.33%
66	West Wyoming Borou	Robert Connors	Y	\$ 3,639,022.00	\$ 1,212,886.03	\$ 1,212,886.00	\$ (0.03)	33.33%
67	Wyoming Borough	Paul Konopka	Y	\$ 3,812,210.00	\$ 1,270,609.59	\$ 1,270,610.00	\$ 0.41	33.33%
68	White Haven Borough	Kathryn Oross	Y	\$ 1,044,405.00	\$ 348,100.19	\$ 348,100.08	\$ (0.11)	33.33%
69	Wilkes-Barre Townshi	Marla Zabofski	Y	\$ 4,084,163.00	\$ 1,361,251.53	\$ 1,361,252.00	\$ 0.47	33.33%
70	Yatesville Borough	Helen Centi	Y	\$ 1,123,087.00	\$ 374,324.90	\$ 374,325.00	\$ 0.10	33.33%
71	Hazleton City	Luzerne County Treasurer's	Y	\$ 5,789,025.00	\$ 1,929,482.03	\$ 1,250,000.00	\$ (679,482.03)	21.59%
72	Pittston City	Luzerne County Treasurer's	Y	\$ 1,597,530.00	\$ 532,456.75	\$ 1,250,000.00	\$ (347,530.00)	78.25%
73	Wilkes Barre City	Luzerne County Treasurer's	Y	\$ 32,937.00	\$ 10,977.90	\$ 1,250,000.00	\$ 1,239,022.10	3795.12%
74	Harveys Lake Borough	Laurie Kehler	Y	\$ 6,574,453.00	\$ 2,191,265.18	\$ 2,191,265.00	\$ (0.18)	33.33%
75	Penn Lake Park Borou	Beverly Yencha	Y	\$ 560,579.00	\$ 186,840.98	\$ 186,841.00	\$ 0.02	33.33%
76	Bear Creek Village Bo	Merideth Maxwell	Y	\$ 770,692.00	\$ 256,871.64	\$ 256,871.59	\$ (0.05)	33.33%

* \$5,000,000.00/4=\$1,250,000.00

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, February 9, 2018.

Received by County Manager's Office
at 12:15pm on 2/9/18.

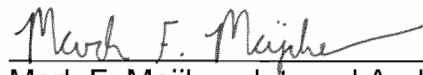
County Management reserves the right to
respond within 14 days of date of
receipt.

- David Fabela -

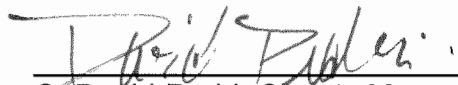
**Signature Page
Tax Collector Bonds
For the Year 2018**

Controller's Office:


Michelle A. Bednar, Controller 2/9/18
Date


Mark F. Majikes, Internal Auditor 02/09/2018
Date

County Manager's Office:


E. David Pedri, County Manager 2/9/18
Date

Budget and Finance:


Brian Swetz, Budget and Finance Division Head 2/9/18
Date

Compliance Review of Tax Collector Bonds
For the Year 2018

This report was initially distributed to the following:

Mr. David Pedri	Luzerne County Manager
Mr. Tim McGinley	County Council Chair
Brian Swetz	Budget and Finance Division Head
Laura Beers	Office Manager/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.