



OFFICE OF THE CONTROLLER

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

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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.

A 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 elected tax collector of Plains Township in Luzerne County held the position for 23 years. At the end of that period, the deputy tax collector was called to collect and settle taxes, due to health-related challenges of the tax collector.

In 2017, Plains Township’s total assessed value was \$812,984,900—the 5th largest taxing district by taxable accounts—with a total of 4,588 parcels. The surety bond coverage was for \$4,948,215, which is the amount required in order to cover 1/3 of the total taxes of all three districts. All tax collectors must provide a bond (insurance) to secure the taxing districts against any losses of tax funds. Additionally, the deputy tax collector would be covered under the same bond.

Objective

Our audit objective was to determine the adequacy of internal controls over transactions (e.g., cash receipts, deposits, bank reconciliations and record keeping).

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 the Plains Township tax collector 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 properly 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 objective, the Controller's Office contacted the former deputy 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 contacted Northeast Revenue Service for a list of delinquent taxes for the year 2017. These were the unpaid real estate property taxes typically listed in the Duplicate book.

The Controller's Office also received a copy of the tax collector's bond coverage amount and the RBA settlement reports from the Luzerne County Tax Administrator's Office. Additionally, we obtained a copy of the signed "Appointment of Deputy Tax Collector" form.

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

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, over time, was able to obtain all the documents needed to conduct this audit from the deputy tax collector, despite the challenging circumstances she was faced with due to an unexpected and difficult situation.

We began by organizing the source documents in order for us to develop a traceability test. As a rule, it should be easy to follow any given parcel from duplicate to bill, to payment, to deposit, and to disbursement. This test involves randomly choosing various payments to trace to the tax bill and then to the Duplicate Book. For instance, in any one deposit we need to be able to ascertain which tax bills' payments are in that deposit.

Typically, we would find this information on the deposit tickets. However, due to the large amount of tax bills collected, the tax collector would print a Collection Report for each deposit made and then attach the corresponding bank receipts. In addition, we reviewed the original tax bills to confirm inclusion of tax collector's signature, date paid, and appropriate dollar amount (circled).

We then entered the information from the RBA deposit summary report into an Excel spreadsheet, and then reconciled those collections with the amounts received and deposited into the bank.

The audit also included comparing the Real Estate Duplicate book to the Returns report. If all tax payments were processed correctly, those properties with unpaid taxes in the Duplicate book should match those properties shown on the County's Return Report and Northeast Revenue's Tax Claim 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	433	\$278,303.57
5-8-2017	4	\$ 465.77
9-1-2017	2	\$ 265.00
Total	439	\$279,034.34

An abatement is a reduction of taxes for the current year, whereas a refund is a reduction in property tax from the prior year. All abatements were identified on the Exoneration Report. Using New World (the County-wide Financial System), refund transactions were accurately issued to taxpayers and mailed out in a timely fashion. Additionally, we confirmed the commissions paid to the tax collector were supported.

Summary

It is our opinion that the taxes collected by the Plains Township deputy tax collector were properly collected, accounted for, and remitted to Luzerne County. Additionally, the Controller's Office appreciated the time taken by the deputy tax collector to locate all documents needed for this audit.

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, August 28th, 2019.

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

Controller's Office:

Michelle A. Bednar 8/28/19
Michelle A. Bednar, Controller Date

Nancy L. DeFluri 8-28-19
Nancy L. DeFluri, Auditor II Date

County Manager's Office:

C. David Pedri 8/26/19
C. David Pedri, County Manager Date

Deputy Tax Collector:

Gloria Chiocchi 8/20/19
Gloria Chiocchi, Deputy Tax Collector Date

Plains Township
Tax Collection Interim Compliance Audit
Tax Year 2017

This report was distributed to the following:

Mr. David Pedri	Luzerne County Manager
Mr. Tim McGinley	Luzerne County Council Chair
Mrs. Gloria Chiucchi	Plains Township Deputy Tax Collector
Mr. Gerald Yozwiak	Plains Township Chairman

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.