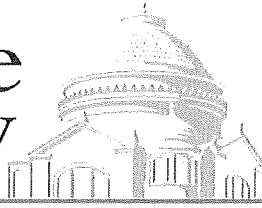


Luzerne  
County

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OFFICE OF THE CONTROLLER

*Reconciliation of 2019  
Luzerne County Real Estate  
Tax Collections*

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

**Fieldwork Performed by:**  
**Wendy Saxe**

## Table of Contents

<b>Objective and Scope</b> .....	<b>3</b>
<b>Methodology</b> .....	<b>5</b>
<b>Findings</b> .....	<b>5</b>
<b>Condition</b> .....	<b>7</b>
<b>Observations</b> .....	<b>7</b>
<b>Recommendations</b> .....	<b>7</b>
<b>Home Rule Charter § 3.08(C)(3)</b> .....	<b>8</b>
<b>Audit Response Due Date</b> .....	<b>8</b>
<b>Signature Page</b> .....	<b>9</b>
<b>Distribution Page</b> .....	<b>10</b>

## Objective and Scope

The Controller's Office has conducted a reconciliation of the 2019 tax collection payments received by Luzerne County with the reports submitted by the municipal tax collectors who collected those payments.

In 2019, Luzerne County Real Estate (RE) taxes were collected by a combination of: elected municipal tax collectors, home-rule municipalities, and the Luzerne County Treasurer's Office. All of the tax bills are created by Luzerne County and printed by a third party. A tax bill contains information identifying each parcel, its owner, the assessed value of the property, and the tax rate applied to the assessed value, which is to be paid by the taxpayer. Assessed value determines the value of a residence for tax purposes. Each tax collector is provided with a listing of the property owners in their municipality that contains all of the information found on the tax bills. This listing that identifies the taxpayers and their liability is called the "Duplicate Book".

At the beginning of each year, the tax bills are mailed to the taxpayer instructing them to pay their RE taxes to the tax collector. Tax collectors must account for each payment and remit the same amount to the County, along with corresponding reports generated by the County tax collection software, "Robert Bailey Associates Data Systems" (RBA). Tax collector payments to the County must equal the total collections as recorded in RBA.

The assessed value of a property may increase or decrease in any year. As an example, if a taxpayer improves his property by adding an in-ground swimming pool, the County assessor determines the assessed value of the pool; then the County issues an additional bill for that improvement. Conversely, if a taxpayer decides that he wants to remove or fill in an existing pool, the County assessor removes the assessed value of the pool from the value of the property and the County notifies the tax collector and the taxpayer of the decrease. If taxes had not been paid prior to the reduction, the taxpayer pays the new lower amount; if the taxes had already been paid, the County issues a refund to the taxpayer.

RE taxes paid by the taxpayer and received by the tax collector within two months of the date of the bill receive a 2% discount. RE taxes paid by the taxpayer during the next two months (after the discount period) pay at face value. Payments received by the tax collector after the 120<sup>th</sup> day are assessed a 10% penalty. Payments received by the tax collector via US Mail are considered to be paid on the date postmarked on the envelope.

The RBA system determines the amounts due from the taxpayer based on the date of payment. RBA keeps track of those amounts, any discounts allowed, any penalties assessed, and properties for which no payment was received (Land Returns). RBA also tracks additional bills (which increase tax liability) and exonerations (which decrease tax liability) and incorporates them into the Duplicate Book.

Tax collector payments to the County must equal the total collections as reflected in RBA. When exonerations are entered into the RBA system, the system generates a refund report. It is the responsibility of the Treasurer's Office to issue these refunds. RBA accounts for all payment and refund transactions for every municipality and then updates those changes within the system.

When processing payments, a tax collector extracts collection data from RBA, emails it to the Tax Processor in the Treasurer's Office, and mails a check for the same amount to the County. At the time of an extract (otherwise known as a batch), RBA closes the period and the tax collector is unable to make any changes once it's closed. During periods of heavy tax collection activity, a tax collector will often create multiple extracts. In these cases, the tax collector will send the data and funds to the County prior to the due date, so as not to exceed the tax collector's bonding limit. In other words, a tax collector would not want to be in possession of monies in excess of the bonding limit because if something were to happen to the excess funds—whether it be fire, theft, loss, etc.—those funds would not be covered by the bond.

As stated above, a tax collector is unable to make changes in RBA once a period is closed. However, this is not true if an RBA staff member (RBA staff) opens the period for the tax collector. A process is now in place whereby RBA staff alerts the Controller's Office whenever RBA staff opens a period for a tax collector.

The Luzerne County Controller's Office strives to objectively and systematically evaluate processes, procedures, and activities to ensure that each is executed in the most economical and efficient way possible. Our goals are to achieve the most value for each dollar spent and make the best use of resources available by fostering ideas and to help implement those which maximize efficiency, economy, and effectiveness. Our reviews are tailored to the unique circumstances of each office, and we work with management to ensure accountability.

The Luzerne County Controller's Office is authorized by the Home Rule Charter of Luzerne County (hereinafter referred to as "the Charter") Section 3.08 to conduct fiscal, performance, management, contract, grant, compliance, and/or related audits of any county division, department, bureau, office, agency, authority, board, commission, elective office, the Judiciary, Office of Court Administration or other administrative offices. This review is an internal audit function, authorized by the Charter. Therefore, the Controller is required to transmit a copy of this review to the Manager of Luzerne County and County Council and to post for public inspection in the Controller's Office and on the County website and/or other electronic media 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 in the Controller's Office and report directly to the Controller. The audit staff is considered organizationally independent to conduct and report on the audit.

## Methodology

Since the overarching goal of this audit was to verify that tax collectors had paid to the County all County tax payments they should have and did collect, the Controller's Office compared the amounts shown in New World Systems (NWS or New World) (otherwise referred to as "receipts" received by the County) to the amounts shown in RBA (otherwise referred to as amounts "collected" by the tax collector). If the tax collector submitted to the County all amounts collected, these two amounts should match.

Using a spreadsheet we specifically created for tax collection audits, we compared the data from NWS with the data from RBA. First, we pulled all tax collection receipts for 2019 in NWS and entered the amounts in the spreadsheet. Then, we pulled all collections from RBA reports and entered those amounts in the spreadsheet. We did this for each of the 76 municipalities in Luzerne County. This allowed us to analyze the deposits shown internally in NWS with the collections shown in RBA, which then allowed us to identify any differences.

## Findings

- Nescopeck Borough: When we compared RBA to New World for 2019, Nescopeck Borough was underpaid by \$(102,544.30) and Nescopeck Township was overpaid by the same amount. After investigating, we found this error of commission was a receipting error. Since the County did receive the correct amount, no action was needed. Thus, Nescopeck Borough tax collection for 2019 balanced.
- Nescopeck Township: When we compared RBA to New World for 2019, Nescopeck Township was overpaid by \$102,544.30 and Nescopeck Borough was underpaid by the same amount. After investigating, we found this error of commission was a receipting error. Since the County did receive the correct amount, no action was needed. Thus, Nescopeck Township tax collection for 2019 balanced.
- Fairmount Township: A discrepancy of \$0.40 was discovered between the amounts reported in New World and those reported in RBA. The difference was due to the fact that the tax collector's check was written (and, thus, deposited) for \$0.40 more than the corresponding amount on the RBA collection report. Therefore, since this is such an immaterial amount, Fairmount Township tax collection for 2019 is considered to be balanced.
- Freeland Borough: A discrepancy of \$0.08 was discovered between the amounts reported in New World and those reported in RBA. The difference was due to the fact that the tax collector's check was written (and, thus, deposited) for \$0.08 more than the corresponding amount on the RBA collection report. Therefore,

since this is such an immaterial amount, Freeland Borough tax collection for 2019 is considered to be balanced.

- Nanticoke City: A discrepancy of \$632.95 was discovered between the amounts reported in New World and those reported in RBA. It was found that this was due to a receipting error, where the Nanticoke and Hazleton amounts were posted in reverse; the net amount was \$(632.95). Therefore, Nanticoke City tax collection for 2019 balanced.
- Hazleton City: A discrepancy of \$3,252.83 was found between the amounts reported in New World and those reported in RBA. Upon investigation, it was discovered there were four payments with insufficient funds totaling \$(2,563.63), one failed web payment in the amount of \$(391.09), a payment made in error by a mortgage company for \$(147.57), a voided payment in the amount of \$(964.25), a payment using incorrect bank information for \$(289.86), and two receipting errors totaling \$1,103.57. The receipting errors were as follows: 1) one instance where monies were credited to Pittston City when they should have been credited to Hazleton City, totaling \$470.62 and 2) one instance where the Nanticoke and Hazleton amounts were posted in reverse; the net amount was \$632.95. Therefore, Hazleton City tax collection for 2019 balanced.
- Pittston City: A discrepancy of \$470.62 was found between the amounts reported in New World and those reported in RBA. We discovered one instance where monies were credited to Pittston City when they should have been credited to Hazleton City, totaling \$(470.62). Therefore, Pittston City tax collection for 2019 balanced.
- Pringle Borough: A discrepancy of \$(164.45) was discovered between the amounts reported in New World and those reported in RBA. This difference was the result of the tax collector directly refunding two taxpayers for abatements processed by the Assessor's Office. The tax collector did not realize that refunds to taxpayers should only be issued by the County, not by the tax collector. As a result, the tax collector refunded \$159.87 and \$4.68, and short paid the County by a similar amount. The remaining difference of \$0.10 is considered a clerical error. The tax collector has been informed of the proper refund method to use for future instances. Therefore, since this difference is such an immaterial amount, Pringle Borough tax collection for 2019 is considered to be balanced.
- Wilkes-Barre City: A discrepancy of \$5,377.43 was found between the amounts reported in New World and those reported in RBA. We discovered three insufficient checks totaling \$(873.69), one stopped payment in the amount of \$(83.15), two voided payments totaling \$(976.18), four instances of incorrect bank information totaling \$(2,710.08), and once instance where the mortgage company mistakenly made payment for a KOZ property in the amount of \$(734.33). Therefore, Wilkes-Barre City tax collection for 2019 balanced.

## **Condition—Tax Collector Issuing Refunds**

As stated above for Pringle Borough, the tax collector issued refunds to taxpayers based on abatement data obtained from the Assessor's Office.

### **Effect**

This caused the tax collector to underpay the County by \$164.45, since those County funds had been used to refund taxpayers. However, since the County would have had to refund the amount to taxpayers—had payment been properly received—the net effect was zero.

### **Cause**

The tax collector was unaware that it is the County who should and does make refunds to taxpayers.

The net effect is the same. However, it is prudent for all tax collectors to be aware and follow standard procedures.

### **Observations**

The Controller's Office has observed that over the past few years the reconciliation process has continued to go more smoothly. This is due largely to the cooperation we receive from the Treasurer's Office. In response to previous recommendations by the Controller's Office, the Treasurer's Office has continued to notify our office of failed payments, in addition to regularly closing out periods in RBA and improving internal controls. Further, the Treasurer's Office and/or RBA staff have been notifying the Controller's Office any time RBA staff opens a batch for a tax collector.

### **Recommendations**

The Controller's Office recommends that classes be developed for new tax collectors on the proper procedures for collecting taxes, which would include topics such as how refunds are issued. Currently, new tax collectors are provided with a manual, but our office continues to find that tax collectors have unanswered questions or are lacking guidance. As a result, we are working toward offering free classes to newly elected tax collectors or to any tax collector who would like to take the class. The goal is to have the classes approved by DCED for continuing education credits.

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, June 4, 2020.



**Signature Page  
Luzerne County Real Estate Tax Collections  
Reconciliation of 2019**

**Controller's Office:**

Michelle A. Bednar 6/4/2020  
Michelle A. Bednar, Controller Date

Wendy Saxe 6/4/2020  
Wendy Saxe, Senior Auditor Date

**County Manager's Office:**

C. David Pedri 6/1/20  
C. David Pedri, County Manager Date

**Luzerne County Administration:**

Brian A Swetz 5-28-2020  
Brian Swetz, Budget and Finance Date

Laura Beers 5/28/20  
Laura Beers, Tax Administrator Date

**The Audit of  
Luzerne County Real Estate Tax Collection Reconciliation  
For the Period January 1, 2019 through December 31, 2019**

This report was initially distributed to the following:

Mr. C. David Pedri	Luzerne County Manager
Mr. Tim McGinley	County Council Chair
Mr. Brian Swetz	Director of Budget and Finance
Ms. Laura Beers	Tax Administrator

This report is a matter of public record and is available online at <http://www.luzernecounty.org>, found under Audits 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).