



**COUNTY *of* LUZERNE**  
P E N N S Y L V A N I A  
ESTABLISHED 1786

**OFFICE OF THE CONTROLLER**

***Northeast Revenue Service LLC***  
***(now Elite Revenue Solutions LLC)***  
***Review***  
***As of May 2020***

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

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

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## **Background**

The largest source of revenue that funds Luzerne County ("County") government is the real estate property tax. In Luzerne County, elected or appointed tax collectors are responsible for collecting real estate taxes for the County, school districts, and municipalities. However, 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. The tax collector submits unpaid parcels to Northeast Revenue Service, LLC ("Northeast Revenue") and collection of delinquent taxes becomes the duty of Northeast Revenue, who oversees the Tax Claim Department.

Northeast Revenue has recently been renamed Elite Revenue Solutions LLC. They act as the agent for the Luzerne County Tax Claim Bureau and accept delinquent tax payments on behalf of the County. Payments can be made by mail, over the phone, or by credit card, debit card, or electronic check via their website at [luzernecountytaxclaim.com](http://luzernecountytaxclaim.com). Additionally, walk-in payments can be made at Northeast Revenue's office at the Luzerne County Courthouse or their Hazleton office or at one of their established tax payment centers at Landmark Bank branches in Wyoming, Pittston, Hazleton, or Scranton. They also offer payment plans, as required by Real Estate Tax Sale Law Act of July 7, 1947, P.L. 1368, No. 542, Article I, Section 503.1(b).

## **Objective**

The objectives of this review were to:

- Determine if Northeast Revenue is properly forwarding monies collected by them to the County
- Evaluate the online payment process
- Research payments made by tax collectors directly to Northeast Revenue on behalf of taxpayers

The Luzerne County Controller's Office strives to independently and objectively evaluate functions, processes, and activities to ensure that each are executed in the most compliant, economic, efficient, effective, and accurate way possible. 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/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 unit. This review is an internal function, authorized by the Charter. Therefore, the Controller shall transmit a copy of this final audit report to the County Manager, County Council, and the audited entity and shall post the audit 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 audit 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 objectives, the Controller's Office obtained and reviewed:

- Northeast Revenue remittance reports from January 2016 through May 2020, which show the detail of every delinquent payment paid to Northeast Revenue, including the year the taxes were due, the property's PIN, the taxpayer's name, and the amount paid
- Northeast Revenue remittance summary emails, which show the breakdown of amounts collected for delinquent taxes, the total remitted by Northeast Revenue to the County, and the portion to be applied to prior taxes collected and the portion that represents the 5% fee\* the County retains
- New World Systems (NWS) verification of monies received, as shown in the details of General Ledger Transaction Detail queries
- Online payment details for a delinquent payment
- List of properties paid to Northeast Revenue by tax collectors on behalf of taxpayers

We also followed and assessed the various steps involved with making a payment for a delinquent property using Northeast Revenue's online payment option.

\* This 5% statutory commission was established per contract and is shared as follows: Northeast Revenue retains the 5% that is levied on municipal and school taxes and Luzerne County shall be paid the 5% that is levied on County taxes. This 5% fee is calculated on the face and penalty amounts and is added by the County to the total due.

## **Methodology**

### *Payments Collected by Northeast Revenue and Forwarded to the County*

Per the contract, dated June 10, 2014, under Distribution of Monies, it states that Northeast Revenue shall direct all principal and interest and sums in payment and discharge of tax claim monies collected to be paid to the County on a bi-weekly basis.

The Controller's Office compared the remittance reports, remittance summary emails, and NWS General Ledger details for 11 random payments over the period January 1, 2016 through May 31, 2020, which constituted 10.4% of the activity. In 100% of the

cases, the figures matched exactly. In one case (June 2017), the payment was made two weeks later than normal.

This means that Northeast Revenue is, indeed, collecting monies on the County's behalf and forwarding those monies twice a month, in a timely fashion. Additionally, they are providing adequate support of those payments, so that the amounts can be recorded properly.

#### *Online Payment Process Evaluation*

The Controller's Office followed a delinquent payment through the process of online payment using Northeast Revenue's website. When doing so, a security warning was issued to alert of an insecure connection, which caused concern.

However, this was brought to the attention of both Northeast Revenue and Point and Pay (the online payment vendor). Both stated that they had not had any issues reported to them. To further investigate, Northeast Revenue made two test payments using two separate browsers and neither case resulted in any warnings being issued about insecure websites.

#### *Tax Collector Payments Made to Northeast Revenue*

In multiple cases, tax collectors made payments directly to Northeast Revenue. This was because the tax collector had received the taxpayer's payment but had not properly processed the payment or forwarded the monies to the taxing authority. As a result, the property ended up on the delinquent list that was provided to Northeast Revenue. When the taxpayer proved payment to the tax collector, the tax collector then forwarded the money to Northeast Revenue, who then removed the property from the delinquent property list.

Sometimes this process generated an exoneration report because when the payment was corrected, an amount needed to be written off. For example, let's assume the taxes on a property were as follows: \$1,078 at discount, \$1,100 at face, \$1,210 at penalty. If a tax payment of \$1,078 was made during the discount period—but it was incorrectly processed by the tax collector and ended up in tax claim at the penalty amount of \$1,210—when the payment was corrected, the difference of \$132 would need to be fixed. In a case like that, the \$132 would be exonerated. It's not an exoneration in the true sense, where taxes are actually reduced on a property; it is instead a method by which to correct the books. In other words, the tax collector rectified their error by forwarding to Northeast Revenue the \$1,078 that was properly paid, the \$132 difference (between when it was paid (discount) and when it was recorded (penalty)) was corrected, and the total owed per Northeast Revenue's books was brought to \$0.

In response to our inquiry, Northeast Revenue created a program to run a list of parcels that fell into this category and provided the Controller's Office with the results. We requested from 2017 through 2019. Keep in mind that there is at least a year's lag between the tax year and when payment was received/corrected.

There were 3 occurrences in 2016, 17 in 2017, and 8 in 2018, where the tax collector received payment, failed to forward it to the taxing authority, and later sent it to Northeast Revenue. Of those 28 instances, the municipality breakdown was as follows:

1 instance in Fairmount Township, Foster Township, Plains Township, Wilkes-Barre City

2 instances in Sugarloaf Township

4 instances in Edwardsville Borough

7 instances in Shickshinny Borough

11 instances in West Pittston Borough

The monetary details, with regard to the County portion, for each of the abovementioned instances were as follows:

Edwardsville Borough, Plains Township— no effect on County taxes

Fairmount Township— \$981.99

Foster Township— \$346.09

Shickshinny Borough— \$1,166.55 (2 parcels affected County; while other 5 did not)

Sugarloaf Township— \$1,413.78

West Pittston Borough— \$2,920.60 (5 parcels affected County, while other 6 did not)

Wilkes-Barre City— \$132.06

## **Observations**

1. The knowledge, professionalism, assistance, and speedy responses by Northeast Revenue's managing partner were very helpful and greatly appreciated. He was a fount of information and went above and beyond to help.
2. The Controller's Office observed that payments from Northeast Revenue are being made bi-weekly, as dictated in the contract, except for the instance in June 2017, which was made two weeks late. We did not observe this to be a recurring issue.
3. The Controller's Office found the online payment process to be lacking in security measures and confusing to the user. However, the issue appears to be resolved, as evidenced by Northeast Revenue's testing measures.

## Recommendations

1. The Controller's Office believes audits should be done on those tax collectors who received payment, failed to forward it to the taxing authority, and later sent it to Northeast Revenue (i.e., improperly processed payments, which then caused the properties to erroneously show as delinquent). We have already begun the first audit.
2. The Controller's Office recommends Northeast Revenue also provide the same report "Parcels Paid by Tax Collector" to all three taxing authorities (County, municipality, and school) each year. They have already begun running the report for the County, but it would be advantageous for the other authorities to have that crucial information for their own audit purposes.

### 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, January 22, 2021.**

**Signature Page  
Northeast Revenue Service Review  
As of May 2020**

**Controller's Office:**

Michelle A. Bednar 1/22/2021  
Michelle A. Bednar, Controller Date

Wendy Saxe 1/22/21  
Wendy Saxe, Senior Auditor Date

**County Manager's Office:**

C. David Pedri 1/20/21  
C. David Pedri, County Manager Date

**Department of Budget and Finance:**

Brian A Swetz 1-21-2021  
Brian Swetz, Division Head Date

**Northeast Revenue/ Elite Revenue:**

Sean Shamany 1/22/21  
Sean Shamany, Managing Partner Date



**The Review of Northeast Revenue Service LLC  
As of May 2020**

This report was initially distributed to the following:

Mr. David Pedri	Luzerne County Manager
Mr. Timothy McGinley	Luzerne County Council Chair
Mr. Brian Swetz	Budget & Finance Division Head
Mr. Sean Shamany	Northeast Revenue Managing Partner

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](mailto:Controllers.Office@luzernecounty.org).