



OFFICE OF THE CONTROLLER

***Dupont Borough Tax Collection
Compliance Audit
for the
2020 Tax Collection Period***

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Luzerne County Controller

Fieldwork Performed by:
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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 either an independently elected tax collector, the Treasurer's Office, or an appointed tax-collecting officer for each municipality. The rate of taxation for Luzerne County (County) is called the "millage". In 2020, the tax millage was 6.1696. In other words, for every \$1,000 in assessed value of a property, the tax is \$6.1696.

In Luzerne County, elected or appointed tax collectors are responsible for collecting real estate taxes for the County and municipalities. These payments are received from individuals, banks, and businesses. School district taxes are billed separately. According to Section 25 of the Local Tax Collection Law, by the tenth day of the immediate following month, the tax collector is required to submit a tax collector report approved by the Department of Community and Economic Development (DCED) and all monies collected in the prior month to the Luzerne County Treasurer and the municipality in which they are elected.

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. When settlement of tax records is completed by January 15th of the subsequent year, the tax collector submits unpaid tax parcels to Elite Revenue Solutions who oversees the Tax Claim Bureau.

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.

The newly elected tax collector must successfully complete a basic training program and examination, submit a criminal history report, be sworn in by taking an oath of office, and successfully complete two hours of continuing education during the four-year term of office, as required by Act 48-2015.

All tax collectors must provide a bond (insurance) to secure the taxing districts against any losses of tax funds. The cost of the bond is split among the three taxing authorities, with the County, school, and municipality paying their portion. The Dupont Borough tax collector's surety bond coverage was for \$1,052,764. For 2020, the County's portion for the bond to cover this tax collector was \$360.00, which was confirmed to be paid on 1/17/2020, per the County's accounting system, New World Systems (New World).

In 2020, Dupont Borough's total assessed value was \$139,542,700, with a total of 1,338 parcels. Luzerne County is comprised of 76 taxing districts.

Objective

The objective of this audit was to provide assurance that all tax payments collected for Dupont Borough in 2020 were distributed to and received by the County accurately, thus instilling a sense of confidence that public tax dollars are being fully collected and allocated.

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

The scope of our audit focused on transactions occurring between January 1, 2020 and December 31, 2020. In order to accomplish our objectives, the Controller's Office obtained the following from the tax collector:

- Copies of paid taxpayer real estate tax receipts
- Copies of monthly deposit tickets
- All *original* bank statements (including 2021 statements, where 2020 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
- Copy of surety bond
- Copy of "Appointment of Deputy Tax Collector" form

We then obtained from Elite Revenue Solutions a list of delinquent taxes for the year 2020. These were the unpaid real estate property taxes listed in the Duplicate book (Duplicate). We also requested what is called the "Top Copy" of the Returns Report. This report is a signed copy from the tax collector certifying the total taxes returned for collections.

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 Elite Revenue (also known as Tax Claim) for non- or under-payment

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 dedicated binder and when the property owner makes payment, the tax collector records the date and amount paid in the Duplicate book. Also, any pertinent information, including how payment was made (e.g., check, escrow account) is noted. This serves as a double check and makes it easier to locate any discrepancies.

Methodology

The following functions were evaluated during this audit:

- Ensure collections were properly paid in correct payment period
- Ensure monies due to Luzerne County were properly receipted
- Ensure Luzerne County received the correct amount owed
- Ensure accurate commissions were paid to tax collector
- Ensure correct parcels were sent to Tax Claim Bureau

The Controller's Office began by printing all reports needed to examine the records, payments and duplicates of Dupont Borough. This information is necessary in assisting us with our audit. We then selected random tax bills to verify the period in which it was paid (discount, face, penalty), amount paid, whether or not it was marked in the Duplicate book, and the inclusion of the tax collector's signature.

On April 21, 2020, Luzerne County Council adopted an ordinance that extended the Face period to August 18, 2020, due to Covid-19. After reviewing the Penalty payments from the Collection reports with the Duplicate book, there were no Penalty payments accepted prior to 8/18/2020.

We achieved our objective by creating an Excel spreadsheet unique to the details of each municipality. We then compared the tax collector's own version of a check register, also in Excel, and reconciled both spreadsheets with the bank statements. We found one disbursed check not entered on the tax collector's spreadsheet. This same check was outstanding for 11 months.

To complement the check register, we created a comparison sheet with the monthly totals taken from the RBA Collection reports and the funds disbursed to the County as reported in New World. All monthly dollar amounts matched. However, when comparing RBA reports with bank statements, monthly deposits were inconsistent. This will be further addressed in Condition 1.

Also, while comparing these detailed reports, we were able to confirm the amount of tax bills processed with the payment history report of the tax collector provided in New World.

Commissions are paid to the tax collector when the monthly summaries are reported to the County. Monthly summary reports must be made on the Department of Community and Economic Development (DCED)-approved report. This includes a reconciled report from the Tax Duplicate of the amount of taxes remaining to be collected. Monthly reports are due by the 10th day of each month for the previous month's activity.

The audit also included comparing the Duplicate book to the RBA Returns report. The Returns report should match those delinquent properties shown on Elite Revenue Solutions' tax claim report for 2020.

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 and processed properly.

Condition 1: Need for Improved Recordkeeping—Payment Processing

The tax collector's bank deposits differ from the RBA Collection reports. We found multiple tax bill payments not recorded in RBA at the time of collection.

Effect:

Payments were not being recorded properly and timely in the RBA system. Since the tax collector submitted payments to the County based on the total shown in RBA, correct amounts were not paid to the County in a timely manner.

Cause:

The tax collector was unaware that timely processing would enable RBA to aid in making timely payments and reconciling collections with bank statements. The main cause of this oversight was lack of proper training for a new tax collector.

Condition 2: Need for Improved Record Keeping—Reconciliation

While recreating the tax collector's checkbook in excel, we discovered a check was written but never entered into the tax collectors register. This also created an incorrect ongoing balance. This same check was also found not cashed for 11 months.

Effect:

Clerical errors going unnoticed means the tax collector did not complete monthly bank to book reconciliations, therefore, creating an incorrect balance.

Cause:

Again, if the tax collector had proper training this oversight could have been eliminated.

Observations

1. In response to Condition 1 from our 2019 Audit Review for Dupont, the tax collector is now adding the detail needed for each deposit.
2. Complete and accurate reporting using the DCED approved reconciliation reports was observed.
3. RBA Tax Collector Payment Voucher with a photo copy of the check made payable to Luzerne County for taxes collected was observed.
4. The tax collector was using an interest-bearing account until May 2020. The account was then changed to a non-interest-bearing account.
5. A copy of the tax collector's bond was included with the audit files.
6. An "Appointment of Deputy Tax Collector" form was signed and on file.
7. Accurate number of parcels were sent to Elite Revenue Solutions.

Recommendations

1. The Controller's Office recommends monthly bank-to-book reconciliations, as they would assist in the detection of record-keeping errors.
2. The Controller's Office recommends the tax collector process payments in RBA at the time they are received from the taxpayer.
3. The Controller's Office recommends the tax collector remit monthly reports and payments by the 10th day of each month for the previous month's activity.

Summary

It is our opinion that the taxes collected by the Dupont Borough tax collector were properly collected, accounted for, and remitted to Luzerne County.

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 8, 2021.

**Signature Page
Dupont Borough Tax Collection Compliance Audit
Tax Year 2020**

Controller's Office:

Michelle A. Bednar 6/7/2021
Michelle A. Bednar, Controller Date

Nancy L. DeFluri 6/7/2021
Nancy L. DeFluri, Auditor II Date

County Manager's Office:

David Pedri 6/10/11
C. David Pedri, County Manager Date

Tax Collector:

Susan Gregory 5/28/2021
Susan Gregory, Dupont Borough Tax Collector Date

The Audit of
Dupont Borough Tax Collection Compliance Audit
Tax Year 2020

This report was initially distributed to the following:

Mr. David Pedri	Luzerne County Manager
Mr. Tim McGinley	Luzerne County Council Chair
Ms. Susan Gregory	Dupont Borough Tax Collector
Mr. Stanley Knick, Jr.	Dupont Borough Council President
Ms. Patricia McDonald	Dupont Borough Secretary

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.