



OFFICE OF THE CONTROLLER

***Duryea Borough Tax Collection***

***Final Audit***

***for the***

***2021 Tax Collection Period***

***Martin Hanczyc***

***Tax Collector***

*June 14, 2022*

**Walter L. Griffith, Jr.**  
**Luzerne County Controller**

**Fieldwork Performed by:**  
**Lisa Cope**

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## **INTRODUCTION:**

The real estate property tax is the largest source of revenue funding in Luzerne County. Tax Collection occurs by 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 2021, the tax millage was 6.1696. Elected or appointed tax collectors are responsible for collecting real estate taxes for the County and municipalities. School district taxes are billed separately. The tax collector is required to submit a DCED tax collection report and all county monies to the treasurer by the tenth of the month following collection.

Discount period - Tax payments within two months of the date of the sent bill receive a 2% discount.

Face period – Taxes paid and received by collector after the first two months and before the 120<sup>th</sup> day pay at face value

Penalty period -payments received by the tax collector after the 120<sup>th</sup> day are assessed a 10% penalty.

Tax Claim - 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 15<sup>th</sup> 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. Tax collectors must provide a bond (insurance) to secure the taxing districts against any losses of tax funds. The three taxing authorities allocate the cost equally.

## **OBJECTIVE:**

The objective of the tax collector audit is to identify and evaluate tax collection policies and procedures. To obtain limited assurance on the amounts submitted to the Treasurer by the tax collector. To identify areas of improvement and make recommendations.

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. 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. Luzerne County Controllers Office Auditors report directly to the elected Controller. The audit staff is organizationally independent to conduct and report on the audit.

## **SCOPE:**

Duryea Bureau 2021 tax receipts. A sample of selected transactions occurring January 1, 2021 through January 15, 2022 were tested.

In order to accomplish the 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 2022 statements, where 2021 checks have cleared)
- Copies of cancelled checks or bank printout of selected items
- 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

Elite Revenue Solutions provided a list of delinquent taxes for the year 2021. These were reviewed with the unpaid real estate property taxes listed in the Duplicate book (Duplicate). The "Top Copy" of the Returns Report is reviewed for signature and certification of the total taxes returned for collections.

### *Additional Information and 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 Solutions (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 bound detailed listing of all properties for which the tax collector collects monies

## **PROCEDURES:**

Dual testing consists of sampling tax receipts for accuracy, timeliness and proper receipt to the County and testing policies and procedures simultaneously. The internal controls are the responsibility of the tax collector and the County based on established policies and procedures. Because of the inherent limitations in sampling, the evidence provides limited assurance on the audit outcome and there is always a risk that fraud or misappropriation of assets can occur and go undetected.

The Duryea Borough tax collector's surety bond coverage was for \$2,183,734. For 2021, the County's portion for the bond to cover this tax collector was \$226.45, which was confirmed to be paid on 1/15/2021, per the County's accounting system, New World Systems (New World).

In 2021, Duryea Borough's total assessed value was \$263,968,100.00 with a total of 2,285 parcels. Luzerne County is comprised of 76 taxing districts.

- 1) Tax Collector's Report and DCED Report are submitted, signed and dated monthly with timely submittal to County of proceeds and accurate recording of taxpayer's payments in the duplicate.**

Description of procedures tested:

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.

The tax collectors are required to submit monthly electronic reports, abatements, refunds and payment voucher to Luzerne County. Monthly summary reports to the County must be made on the Department of Community and Economic Development (DCED)-approved reports. DCED reports are quarterly.

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 on reports submitted (otherwise referred to as amounts "collected" by the tax collector). The Controller's Office verifies if the amounts are accurate and submitted timely.

**Findings – please see overall finding**

- 2) Verify accurate commissions were paid to tax collector**

Collection reports are compared to payment history in New World.

**Findings: None noted**

### **3) Review amounts owed to Luzerne County for accuracy**

The Controller's Office creates an Excel spreadsheet unique to the details of each municipality. We then compare monthly totals taken from the RBA Collection reports and the funds disbursed to the County as reported in New World.

**Findings: None noted as monthly dollar amounts matched. "See Exhibit A", page seven.**

### **4) Review payments of taxpayer for period paid (discount, penalty, etc.) and accuracy**

The Controller's Office reviewed the original tax bills to confirm inclusion of tax collector's signature, date paid, and appropriate dollar amount (circled). Amounts receipted and deposited into the bank were reviewed to tax bills for discrepancies. The tax bill payments were compared to the Duplicate book for accuracy.

**Findings: See overall finding noted below**

### **5) Verify the number of parcels sent to Elite Revenue Solutions**

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 Elite Revenue Solutions tax claim report for 2021.

**Findings: Although all documents matched, Elite Revenue was sent a parcel for tax claim that was paid in full. See overall finding below**

## **OVERALL FINDINGS AND RECOMMENDATIONS:**

**Taxpayer A owns parcel bill #330, Taxpayer B owns parcel bill #104**

**Bill # 330 in Ward 1 was paid by taxpayer A (name withheld) in discount period in the amount of \$939.50 (County portion \$718.29, Municipal Portion \$221.21) on June 19, 2021 with check number 317 but was not entered into RBA by the tax collector. The bound tax duplicate book and bill invoice were properly marked as paid for Taxpayer A on June 19, 2021. The tax collector erroneously applied this amount in RBA to parcel tax bill #104 Ward 1 (Taxpayer B). The tax collector bypassed the RBA system duplicate payment warning as Bill #104 had previously been paid by Taxpayer B in discount period on April 6, 2021. No additional payment could be applied to his account again without the tax collector being fully aware of the previous payment in the RBA system.**

In addition, the Tax Collection Processor of Luzerne County discovered an overpayment in the amount of \$718.29 in the tax collector's county account in December 2021. A refund was issued to the tax collector for the overpayment amount of \$718.29 without an adequate review of the records. This resulted in parcel bill #330 Ward 1 labeled as unpaid by the tax collector in the RBA system at year-end. The parcel was sent to tax claim (Elite Revenue) for collection. Upon notification from the Controller's Office, a stop payment was issued for the refund check.

Taxpayer A upon notice of tax claim by newspaper sent copies of all paid receipts and cancelled check to Elite Revenue. The taxpayer was dismissed by all bodies and required to repay the taxes with penalties and interest.

As a result of this Controller's Office audit and the discovery of the above, the Taxpayer's overpayment was identified to the agencies. Elite revenue issued a refund to the taxpayer on June 14, 2022. Further rectification of County records and other agencies involved is forthcoming.

#### **RECOMMENDATIONS:**

- 1) The tax collector should reconcile unpaid properties in the Bound Tax Duplicate with reports prior to submittal to Elite Revenue
- 2) A manager in the treasurer's office prior to refund to tax collectors should investigate all discrepancies and refunds.
- 3) Elite Revenue should notify the tax collector and treasurer's office of all taxpayers with valid proof of payment who make a claim for paid taxes so an investigation can occur.
- 4) RBA should not open the system for a tax collector without notifying the treasurer's office, the County Controllers office and having a valid submittal with evidence as to the reason. Any tax record that was opened during the year should include an indication in the year-end report of the reason and amounts or a separate report of opened records should be generated by RBA.
- 5) Refunds in the treasurer's office should have adequate backup and evidence prior to submittal for payment and two signatures for authorization of refund.
- 6) The Controller's Office has notified Elite Revenue and the current tax collector of the error so the refund to the taxpayer can be processed appropriately.

Duryea Borough Tax Collector  
Martin Hanczyc  
Statement of Cash Receipts and Disbursements  
For the period January 1, 2021 thru February 1, 2022

**Exhibit A**

**Receipts:**

General	\$	1,981,435.96	
Total Receipts			<u>\$ 1,981,435.96</u>

**Disbursements:**

February	\$	170,406.01
March	\$	743,774.18
April	\$	868,433.55
May	\$	31,105.20
June	\$	81,280.13
July	\$	20,320.15
August	\$	6,019.39
Sept	\$	11,282.74
Oct	\$	10,853.93
Nov	\$	12,532.85
Dec	\$	25,427.83
Jan	<u>\$</u>	

Total Disbursements			<u>\$ 1,981,435.96</u>
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Balance Due			<u><u>\$ -</u></u>
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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 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 28, 2022.**

**Signature Page  
Duryea Borough Tax Collection Final Audit  
Tax Year 2021**

**Controller's Office:**

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Walter L. Griffith Jr., Controller Date

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Lisa Cope, Internal Auditor Date

**County Manager's Office:**

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Randy Robertson, County Manager Date

**Representative for Tax Collector:**

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Signature Date

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Name of Representative for Martin Hanczyc, (Deceased)  
Former Duryea Borough Tax Collector

The Audit of  
Duryea Borough Tax Collection Final Audit  
Tax Year 2021

This report was initially distributed to the following:

Randy Robertson	Luzerne County Manager
Ms. Kendra Radle	Luzerne County Council Chair
Bruce Moluski (Martin Hanczyc's successor)	Duryea Borough Tax Collector

Representative for Martin Hanczyc

Duryea Borough Manager:

Ms. Carolyn Santee

Duryea Borough City Council:

Mr. Ed Ameika

Ms. Stephanie Shupp

Ms. Allison Brudzinski

Mr. Jim Gromelski

Ms. Jean Zinkavich

Mr. John Rowlands

Mr. Justin Tonte

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).