



OFFICE OF THE CONTROLLER

Courtdale Borough
Real Estate Tax Collector Audit
for the
2021 Tax Collection Period
Carolyn Zabloutney
Tax Collector
November 22, 2022

Walter L. Griffith, Jr.
Luzerne County Controller

Fieldwork Performed by:
Melissa Jones

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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 120th day pay at face value

Penalty period -payments received by the tax collector after the 120th 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 10th 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, procedures and Internal Controls. 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:

Courtdale Borough 2021 tax receipts. A sample of selected transactions occurring January 1, 2021 through December 31, 2021 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

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 Courtdale Borough tax collector's surety bond coverage was for \$314,832.69. For 2021, the County's portion for the bond to cover this tax collector was \$31.00, which was confirmed to be paid on 1/22/2021, per the County's accounting system, New World Systems (New World).

In 2021, Courtdale Borough's total assessed value was \$35,988,600.00 with a total of 403 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 book.**

Description of procedures tested:

The tax collector keeps the Duplicate's 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:

- **Majority of the bills marked paid in the duplicate book are not correct. Such as 4/21, need to be marked for the full date received and the amount received indicated. Per section VII. of the tax collector manual:**

2) Verify accurate commissions were paid to tax collector

Collection reports are compared to tax collector payment history in New World.

Tax Collector payment records were in agreement with the Collection Reports for 2021. The Tax Collector collected 378 parcels and was compensated by the County for 378 parcels.

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.

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:

- **Bill # 59 was recorded in discount period in RBA which ended on April 15th and Check date from taxpayer was 4/27/21 written for the face amount and deposited 5/4/21 which resulted in a shortage to the County of \$12.39 and Municipality of \$4.02**
- **Bill # 385 was not marked paid in the book, paid in RBA at discount check date is 4/11/21 with a deposit date of 4/16/21 before the discount period ended. Payment amount was face amount of \$783.46 credit due to the taxpayer in the amount of \$15.67**
- **Bill #'s 315, 316 & 317 total \$945.53 check amount was \$945.02 short \$.51.**

- **Bill # 116 \$132.35, Bill # 118 \$101.67, Bill # 119 \$652.50 Total \$886.67 paid with check 3943 in the incorrect amount of \$883.87 which resulted in a \$2.80 shortage in the account.**

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: None

6) The tax collector is required to keep a correct amount of all funds collected as taxes. At a minimum, the tax collector must record each tax payment on the duplicate, by marking paid with the amount and date opposite the taxpayers name.

- **Tax collector is making refunds from the Real Estate Tax Account and that is not permitted per the tax collector manual.**
- **Tax collector was co-mingling school tax monies with county municipal monies, has since corrected by opening a new account for county/municipal taxes.**

7) Real Estate Tax Collector bank accounts are to be used for collecting and dispersing funds for Real Estate Tax purposes only.

- **Tax collector is paying for office supplies from the Real Estate tax account and this expense should be paid by the Tax Collector and then should be submitting for reimbursement to the taxing bodies, per the tax collector manual.**
- **Only transactions should be taxpayer monies deposited and checks to the taxing bodies, made tax collector aware that this was not a valid practice and the Tax Collector corrected the practice.**
- **Tax collector had Duplicate receipt fees from escrow payments deposited in the Real Estate bank account and then wrote payments from this account to herself.**
- **Tax Collector had the County deposit her payments for the collection of taxes, in the Real Estate bank account, and then wrote payments to herself.**

- **No resolution from the municipality regarding fees collected. Tax collector has since stopped having payments to herself deposited into the account.**

8) Procedure to send special notices to taxpayer that their taxes are not paid according to the PA Real Estate Tax Collector Laws.

- **Tax collector is not sending the letters as per Tax Collector manual section IX. Tax Notice “A 2006 amendment requires that the tax collector send special notices to taxpayers who have not paid the real estate tax within 4 months of notification. The notice must be sent first class mail in 18 point or larger text and read: YOUR REAL ESTATE TAXES HAVE NOT BEEN PAID ON TIME AND A PENALTY HAS BEEN ADDED TO THE AMOUNT YOU OWE. IF NOT PAID BY DECEMBER 31, YOUR REAL ESTATE TAXES WILL BE DELINQUENT. IF YOU HAVE ANY QUESTIONS PLEASE CONTACT (NAME OF TAX COLLECTOR) BY MAIL AT (ADDRESS) OR BY TELEPHONE (TELEPHONE NUMBER). IF YOUR REAL ESTATE TAXES ARE TO BE PAID FROM AN ESCROW ACCOUNT ESTABLISHED IN CONNECTION WITH YOUR MORTGAGE, YOU SHOULD CONTACT THE COMPANY MANAGING YOUR ESCROW ACCOUNT.”**

RECOMMENDATIONS:

- 1) The tax collector should mark the duplicate book correctly with complete dates and amounts paid.**
- 2) The tax collector should not co-mingle funds and should not issue refunds or take any amounts or payments from the account.**
- 3) Tax collector should not take checks from taxpayers for the incorrect amounts resulting in overpayments or short payments.**
- 4) Tax collector should not deposit any funds in the Real Estate Tax bank account other than funds that are directly from the collection of real estate taxes.**
- 5) Any fees charged for returned checks or reprinting tax bills should be established through resolution by the municipality’s council. The fees can then be posted.**

Courtdale Borough Tax Collector
Carolyn Zabloutney
Statement of Cash Receipts and Disbursements
For the period January 1, 2021 thru December 31, 2021

Exhibit A

Receipts:

General	\$	209,368.73	
Total Receipts			<u>\$ 209,369.03</u>

Disbursements:

February	\$	20,913.86	
March	\$	68,200.53	
April	\$	99,510.10	
May	\$	3,174.27	
June	\$	1,924.31	
July	\$	2,374.62	
August	\$	2,679.34	
Sept	\$	722.52	
Oct	\$	1,251.91	
Nov	\$	933.83	
Dec	\$	7,683.74	
Total Disbursements			<u>\$ 209,369.03</u>
Balance Due			<u><u>\$ -</u></u>

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, December 09, 2022

**Reviewer Signature Page
Courtdale Borough Tax Collection Final Audit
Tax Year 2021**

Controller's Office:

Walter L. Griffith Jr. 12-06-2022
Walter L. Griffith Jr., Controller Date

Melissa Jones 12-06-2022
Melissa Jones, Internal Auditor Date

County Manager's Office:

Brian Swetz 12-01-2022
Brian Swetz, Acting County Manager Date

Treasurer Office:

Laura Beers 12-07-2022
Laura Beers, County Treasurer's Office Date

Representative for Tax Collector:

Carolyn Zablotsky Dec 1, 2022
Carolyn Zablotsky Date
Courtdale Borough Tax Collector

Representative for Courtdale Borough:

COZM - Council President 12/04/2022
Date



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

This report distributed to the following:

Mr. Brian Swetz	Acting Luzerne County Manager
Ms. Kendra Radle	Luzerne County Council Chair
Ms. Carolyn Zabloutney	Courtdale Borough Tax Collector
Ms. Laura Beers	Luzerne County Treasurer Department

Courtdale Borough Council:

Mr. Carl Hodorowski
Mr. Joe Rish
Ms. Debbie Youngblood
Mr. Tom Vest
Ms. Amy Yuhas
Mr. Jeffrey Ford
Mr. Michael Waslin

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.