

Westmoreland County
Controller

AUDITING DEPARTMENT

Jeffrey Balzer

County Controller

Audit of

Irwin Borough Tax Collector
Lois Bennett

Financial Statements – Modified Cash Basis
For the period March 1, 2019 to February 29, 2020

Prepared for

Westmoreland County
Board of Commissioners

Audit of

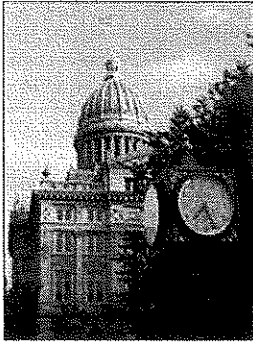
Irwin Borough Tax Collector
Lois Bennett

Presented by

Jeffrey Balzer
County Controller

And

Westmoreland County Auditing Department



Westmoreland County Controller's Office

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Jeffrey Balzer, Controller

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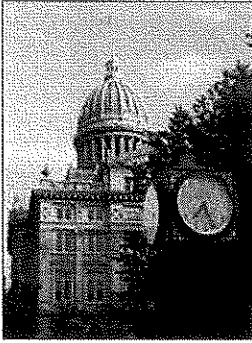
Irwin Borough Tax Collector

Lois Bennett

Audit Distribution List

For the period March 1, 2019 to February 29, 2020

1. Lois Bennett, Irwin Borough Tax Collector
2. Board of Commissioners
3. Deborah Chiado, Director of Tax Office
4. Norwin School District, c/o Secretary
5. Irwin Borough, c/o Secretary
6. Brian Lawrence, Executive Director, Redevelopment Authority/Land Bank



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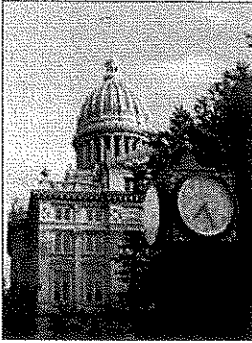
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Irwin Borough Tax Collector
For the period March 1, 2019 to February 29, 2020

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August 13, 2020

Lois Bennett
Irwin Borough Tax Collector
411 Main St
Irwin, PA 15642

Dear Ms. Bennett:

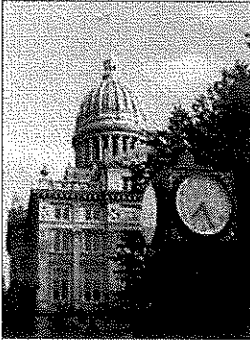
Transmitted herewith for your information is a copy of the audit of Westmoreland County Real Estate taxes processed and accounted for by your office, the purpose of which is to express an opinion on the fairness of the presentation of the financial statements for Westmoreland County Real Estate taxes for the period March 1, 2019 to February 29, 2020 for general taxes.

In line with the policy of this office under which all official audit reports are considered to be public information, a report will be released to the news media or general public upon request.

If there are any questions you may have or comments you desire to make concerning this report, please do not hesitate to contact this office.

Sincerely,

Jeffrey Balzer
County Controller



Westmoreland County Controller's Office

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Jeffrey Balzer, Controller

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August 13, 2020

Independent Auditor's Report

Lois Bennett
Irwin Borough Tax Collector
411 Main St
Irwin, PA 15642

Dear Ms. Bennett:

We have audited the Statement of Balance Outstanding-Modified Cash Basis of the Irwin Borough Tax Collector for Westmoreland County General Real Estate taxes for the period ended February 29, 2020 and the Statement of Cash Receipts and Disbursements-Modified Cash Basis for the period March 1, 2019 to February 29, 2020 for general taxes as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Irwin Borough Tax Collector's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Irwin Borough Tax Collector's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all materials respects, for Westmoreland County Real Estate taxes, the Statement of Balance Outstanding-Modified Cash Basis of the Irwin Borough Tax Collector for the period ended February 29, 2020 for general taxes, and the Cash Receipts and Disbursements-Modified Cash Basis for the period March 1, 2019 to February 29, 2020 for general taxes, on the modified cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. These financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

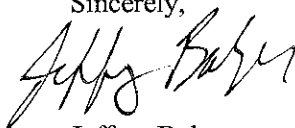
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2020 on our consideration of Irwin Borough Tax Collector's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Other Matters

As discussed in Note 1, the financial statements present only the Westmoreland County Real Estate general taxes for the period ended February 29, 2020, and it is not intended to be a complete presentation of the tax collector's financial position or results of operation on the modified cash basis of accounting.

Sincerely,



Jeffrey Balzer
County Controller

Irwin Borough Tax Collector
 Lois Bennett
 Statement of Cash Receipts and Disbursements
 Modified Cash Basis
 For the period March 1, 2019 to February 29, 2020

Receipts:

General	\$	609,768.07	
Total Receipts			609,768.07

Disbursements:

March		99,286.56	
April		276,279.20	
May		189,937.68	
June		15,783.42	
July		14,277.81	
August		1,992.11	
September		2,243.56	
October		-	
November		651.80	
December		2,850.80	
January		6,465.13	
February		-	
		<hr style="width: 100%;"/>	
Total Disbursements			<u>609,768.07</u>
Balance Due			<u>\$ (0.00)</u>

Note: The accompanying notes are an integral part of the financial statements.

Irwin Borough Tax Collector
 Lois Bennett
 Statement of Balance Outstanding
 Modified Cash Basis
 For the period March 1, 2019 to February 29, 2020

Amount Charged on the Duplicate:

General	\$ 637,971.69	
Total Amount Charged		637,971.69
Add: Surcharges	-	
Less: Exonerations	<u>(1,001.43)</u>	
Adjustment to the Duplicate		<u>(1,001.43)</u>
Total Available for Collection (Face)		636,970.26

Collections:

General	609,768.07	
Land Bank	512.94	
Less: Refunds	<u>(981.40)</u>	
Total Actual Amount Collected		609,299.61
Add: Discounts	11,421.48	
Less: Penalties	<u>(1,413.28)</u>	
Adjustments		<u>10,008.20</u>
Face Collections		<u>619,307.81</u>
Balance Outstanding (Face)		<u>\$ 17,662.45</u>

Note: The accompanying notes are an integral part of the financial statements.

Irwin Borough Tax Collector
Lois Bennett
Notes to the Financial Statements
For the period March 1, 2019 to February 29, 2020

Note # 1: Nature of Entity and Scope of Audit

The scope of our audit did not include a sufficient examination with respect to the financial statements and records for the preceding period to enable us to, and we do not, express an opinion on the consistency of application of accounting principles for the prior period. Also, the Tax Collector is responsible for collecting various local taxes, school taxes, etc., as well as Westmoreland County Real Estate Taxes. Our audit pertained only to the examination of Westmoreland County Real Estate Taxes and did not include a sufficient examination with respect to the overall function of the Tax Collector to enable us to, and we do not, express an opinion on the Tax Collector as a whole. The financial statements present only the Westmoreland County Real Estate General tax for the period ended February 29, 2020, on the modified cash basis of accounting and is not intended to be a complete presentation of the tax collector's financial position or results of operation on the modified cash basis of accounting.

Note #2: Summary of Significant Accounting Policies

Basis of Accounting- The financial statements of the Tax Collector for Westmoreland County Real Estate Taxes are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Receipts, which include general taxes and supplemental taxes, are recorded when monies are actually received.

Disbursements, which only include payments to the Westmoreland County Treasurer's Office, are recorded when paid. The balance outstanding reflects the unpaid taxes which are turned over to the County at the end of the related tax year.

Note #3: Supplemental Taxes

Supplemental tax duplicates are issued on a monthly basis. The taxpayer is given two months from the date the duplicate is issued to pay the discount amount. The face period runs for the next two months, after which the item must be paid at the penalty amount. As a result, only those items appearing on duplicates issued from October 1, 2018 to September 30, 2019 were subject to being returned on the delinquent list to the County Tax Claim Bureau if they were not paid. There were no supplemental taxes during this period.

Note #4: Cash

Deposits

All of the NextTier Bank deposits of the Irwin Borough Tax Collector are either insured or collateralized per Act 72 of the Commonwealth of Pennsylvania. Deposits collateralized per Act 72 of the Commonwealth of Pennsylvania, dated August 6, 1971 (Act 72) are secured by pooled collateral as permitted by the Act.

At February 29, 2020, the Irwin Borough Tax Collector's Nextier Bank deposits had a carrying value of \$1,371.23 and a bank balance of \$2,122.46. The bank balance was covered by the federal depository insurance.

Irwin Borough Tax Collector
Lois Bennett
Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

August 13, 2020

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Irwin Borough Tax Collector, for the period ended February 29, 2020 and for the period March 1, 2019 to February 29, 2020 for the Westmoreland County General Taxes and the related notes to the financial statements, and have issued our report thereon dated August 13, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Irwin Borough Tax Collector's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Irwin Borough Tax Collector's internal control. Accordingly, we do not express an opinion on the effectiveness of the Irwin Borough Tax Collector's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Tax Collector's financial statement(s) will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal controls that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings as items that we consider to be a significant deficiency.

- Item #1: Timely Deposit of County Money
- Item #2: Timely Remittance of County Money
- Item #3: Ending Bank Balance
- Item #4: Identification Of Overpayments

Irwin Borough Tax Collector
Lois Bennett
Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Irwin Borough Tax Collector's financial statement(s) are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items #1, #2, and #4.

- Item #1: Timely Deposit of County Money
- Item #2: Timely Remittance of County Money
- Item #4: Identification Of Overpayments

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Tax Collector's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Tax Collector's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



Jeffrey Balzer
County Controller

Irwin Borough Tax Collector
Lois Bennett
Schedule of Findings
For the period March 1, 2019 to February 29, 2020

Item #1: Timely Deposit of County Money

Criteria:

Deposits should be made intact on each day that collections are received.

Condition/Cause:

We noted various instances where taxpayer receipts were not deposited timely per the Commissioner's resolution. For example, receipts from August 14th were not deposited until August 20th. Receipts from November 5th were not deposited until November 12th. Receipts from December 31st were not deposited until January 7th, 2020.

Effect:

Delays in deposit can result in delayed remittances to the County and increases the risk of loss or theft of tax receipts.

Recommendation:

We recommend that the tax collector deposit collections intact on a daily basis when collections are received.

Item #2: Timely Remittance of County Money

Criteria:

Per the Commissioners' Resolution #R-4-2018, "each collector of Westmoreland County Real Estate Taxes shall remit all taxes and other funds collected for the County no less frequently than every fifth business day during the discount period, face period and penalty period."

Condition/Cause:

We noted delays between the initial receipt date of every month and the respective remittance to the County of the monies receipted. For example, the remittance on April 17th included receipts from April 4th, the remittance on August 5th included receipts from July 17th and also the remittance on January 7th included receipts from December 23rd, 24th, 27th, and 29th.

Effect:

This practice results in non-compliance with the Commissioners' Resolution. It also increases the risk of loss or theft of tax receipts.

Recommendation:

We recommend that the Tax Collector comply with the Commissioners' Resolution on remittances.

Irwin Borough Tax Collector
Lois Bennett
Schedule of Findings (Continued)
For the period March 1, 2019 to February 29, 2020

Item #3: Ending Bank Balance

Criteria:

The bank balance at year end should be identifiable as to the source of the funds and to whom they are payable. Monthly receipt and disbursement journals and bank reconciliations should be used to balance the account and provide for the disbursement of all funds contained therein.

Condition/Cause:

At the conclusion of the audit, we found an unidentifiable amount remaining in the tax account. At February 29, 2020, we noted a bank balance of \$2,122.46, of which \$197.45 is unidentified. The Tax Collector could not identify the balance.

Effect:

This results in improper accumulation of taxpayer monies and unidentifiable payees.

Recommendation:

We recommend the Tax Collector perform monthly bank reconciliations and balance receipts journals to deposit tickets. We also recommend the tax collector work to identify to whom the remaining balance of these funds are due, disburse accordingly, and escheat funds unidentifiable to the Pennsylvania Treasury Department.

Item #4: Identification of Overpayments

Criteria:

Overpayments should be identified by the tax collector in a timely manner. Once identified, the overpayment should be refunded to the taxpayer.

Condition/Cause:

We noted that three overpayments had been collected and allowed to remain in the tax collector's bank account. These overpayments had not been refunded to the taxpayer or the taxpayer's mortgage company although they had been pointed out to the tax collector during the 2018 audit.

Effect:

Taxpayer funds remain in tax collector account and are not refunded timely.

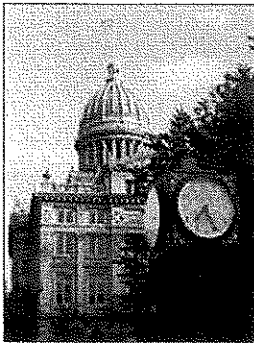
Recommendation:

We recommend that the Tax Collector refund the appropriate amounts due to the taxpayer's or their mortgage companies. We also recommend the tax collector implement procedures to refund taxpayers in a timely manner.

Irwin Borough Tax Collector
Lois Bennett
Compliance with Prior Years' Findings
For the period March 1, 2019 to February 29, 2020

At the completion of the 2018 audit, we made one recommendation for improving the Irwin Borough Tax Collector's accounting procedures and internal controls. The following is the status of that recommendations.

	Recommendation Complied with:		
	<u>Yes</u>	<u>No</u>	<u>In Process</u>
Item #1: Ending Bank Balance			X



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Controller's Note

Irwin Borough Tax Collector

For the Period March 1, 2019 to February 29, 2020

August 13, 2020

This report was released as a draft on July 30, 2020. The findings were reviewed with the tax collector on July 30, 2020. The Controller's Office requires a written response within ten days of receipt of this report from the Tax Collector. No response was received from the Tax Collector. This report is final effective August 13, 2020.