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Office of the Controller
COUNTY OF ARMSTRONG

COUNTY OF ARMSTRONG
OFFICE OF THE COUNTY CONTROLLER

Internal Audit Report of
Freeport Borough Tax Collector
2022 Tax Year

Period of Examination: January 1st, 2022 to January 15th, 2023

Report Date: March 19th, 2024

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Armstrong County Controller's Internal Audit Report

March 19th, 2024

Armstrong County Board of Commissioners
Kittanning, PA 16201

We have examined the accompanying Statement of Tax Collections and Remittances - County Taxes - Cash Basis of Armstrong County, Freeport Borough Tax Collector, C. Sue Hunter, for the period January 1st, 2022 through January 15th, 2023. Our examination focused on the collection of county real estate, county debt, and borough taxes for the tax year 2022.

The accompanying Statement of Tax Collections and Remittances is a compilation of reports and other data (check registers, bank statements, etc.) resulting from our examination of the Freeport Borough Tax Records. The tax collector relied heavily on the Armstrong County Treasurer to help maintain and keep records. These reports (including County Returns Reports) were completed by the tax collector and filed with the Treasurer's and Controller's Offices.

This report includes supplemental information (Schedule of Duplicate Balance Outstanding and Statement of Tax Collections and Remittances) that is included to provide additional information.

Based upon the results of our examination, we conclude that the controlling processes within the Freeport Borough Tax Collector's office were NOT adequately designed and not operating effectively.

Sincerely,



Eric S. Davis
Internal Auditor, Armstrong County Controller's Office

cc: Distribution List

Freeport Borough Tax Collector

Financial Statement - Cash Basis

Statement of Tax Collections and Remittances - County Taxes

Freeport
COLLECTIONS VS REMITS
2022 TAXES

	Collections= Debits/Checks	Remittances= Credits/Deposits	Running Balance
2022 January	\$ 39,602.21	\$ 37,641.49	\$ 6,746.60
2022 February	\$ 6,227.15	\$ 1,565.81	\$ 4,785.88
2022 March	\$ 74,310.91	\$ 84,720.47	\$ 124.54
2022 April	\$ 61,451.39	\$ 111,406.25	\$ 10,534.10
2022 May	\$ 263,849.64	\$ 220,199.21	\$ 60,488.96
2022 June	\$ 31,703.36	\$ 18,020.37	\$ 16,838.53
2022 July	\$ 21,012.45	\$ 25,227.71	\$ 3,155.54
2022 August	\$ 52,832.46	\$ 52,451.55	\$ 7,370.80
2022 September	\$ 4,054.66	\$ -	\$ 6,989.89
2022 October	\$ 4,334.13	\$ 1,537.79	\$ 2,935.23
2022 November	\$ 11,783.98	\$ 18,802.89	\$ 138.89
2022 December	\$ 10,657.01	\$ 4,728.53	\$ 7,157.80
2023 January	\$ 7,794.77	\$ 6,842.68	\$ 1,229.32
Totals	\$ 581,819.35	\$ 583,144.75	\$ 277.23
Total Cash Remittances			
	Collections over Remittances: \$ (1,325.40)		

Sources: Monthly Returns, Treasurer's Receipt Spreadsheet

Notes: Tax Collector should only have small balance at year end made up of any personal funds added
Check Register shows \$148.42 in January while 1/31/23 bank statement balance is \$277.23

Freeport Borough Tax Collector

Notes to the Financial Statements and Supplemental Information

Freeport Borough Tax Collector
Notes to the Financial Statements

1) Purpose of the Internal Audit:

The internal audit of the Tax Collector is necessary due to the State's passage of the Local Tax Collection Law - Amend, Act of 1998, P.L. 1294, No. 169. The tax collection process has been closely examined to ensure it is efficient, effective, and transparent.

2) Nature of Entity and Significant Accounting Policies

The Tax Collector collects cash from individuals as payments for taxes assessed in accordance with the applicable state and local statutes as determined by the Armstrong County Commissioners for Real Estate and Debt. A summary of the Tax Collector's accounting policies applied in the preparation of the accompanying financial statement is as follows:

A) Reporting Entity

The Tax Collector is an elected official and acts as a collection agent for the County of Armstrong.

B) Basis of Financial Presentation

The Statement of Tax Collections and Remittances is prepared on the cash basis of accounting. The cash basis of accounting identifies that revenues are recorded as received and expenditures are recorded when paid.

C) Period of Examination

The Period of Examination is from January 1st, 2022 through January 15th, 2023.

Freeport Borough Tax Collector
Notes to the Financial Statements (continued)

D) Tax Collections and Remittances

Tax collections and remittances are reported to taxing authorities on the basis of discount, face and penalty collections. The following schedule identifies the time frame for each type of collection and associated discount or penalty amounts.

<u>Collection Type</u>	<u>Time Frame (County/Boro)</u>	<u>Amount</u>
Discount	March 1 - May 10	(2%)
Face	May 11 - July 10	---
Penalty	July 11 - December 31	5%
<u>Collection Type</u>	<u>Time Frame (School)</u>	<u>Amount</u>
Discount	July 15 – Sept 15	(2%)
Face	Sept 16 – Oct 31	----
Penalty	Nov 1 – December 31	10%

2) Supplemental Information: Schedule of Duplicate Balance Outstanding

This Schedule was prepared from the DCED State approved Monthly Reports prepared by the Tax Collector.

Freeport Borough Tax Collector

Supplemental Information - Cash Basis

Schedule of Duplicate Balance Outstanding - County Taxes

2022
 County of Armstrong
 Freeport Tax Collector
 Schedule of Duplicate Balance Outstanding - County Taxes - Cash Basis

*DOES NOT
 INCLUDE
 BOROUGH
 TAX?*

	County Real Estate	County Debt	Borough Tax	Total
Tax Collector Beginning Duplicate Balances	\$ 246,013.92	\$ 69,815.22	\$ 216,094.94	\$ 315,829.14
Adjustments				
Additions per Assessment Dept	\$ 4,105.89	\$ 1,165.19	\$ 4,161.38	\$ 5,271.08
Reductions per Assessment Dept	\$ (438.01)	\$ (124.30)	\$ (117.53)	\$ (562.31)
Per Capita Exonerations	\$ -	\$ -		\$ -
Total Adjustments	<u>\$ 3,667.88</u>	<u>\$ 1,040.89</u>	<u>\$ 4,043.86</u>	<u>\$ 4,708.77</u>
Total Available for Collection (Face)	\$ 249,681.80	\$ 70,856.11	\$ 220,138.80	\$ 320,537.91
Total Amount Collected	\$ 230,224.59	\$ 65,334.39	\$ 191,906.59	\$ 295,558.98
Adjustments				
Add: Discounts	\$ 3,868.87	\$ 1,097.93	\$ 3,295.71	\$ 4,966.80
Less: Penalties	\$ 603.97	\$ 171.40	\$ 530.52	\$ 775.37
Total Adjustments	<u>\$ 3,264.90</u>	<u>\$ 926.53</u>	<u>\$ 2,765.19</u>	<u>\$ 5,742.17</u>
Total Collected (Face)	\$ 226,959.69	\$ 64,407.86	\$ 194,671.78	\$ 291,367.55
Balance Outstanding (Face)	\$22,722.11	\$6,448.25	\$ 19,958.79	\$49,129.15

Does the ending balance match the Real Estate Tax Return Docket and Lien Index?

Yes

Sources: Duplicate (beginning balances)
 Assessment Change Notices & Exoneration
 Treasurer's Receipt Spreadsheet
 Monthly Returns

Notes:
 Tax Collector and Borough unable to provide borough tax revisions, calculated using 0.015mil
 Difference in boro tax was revised in Jan. Documentation was not available to be included

**Freeport Borough Tax Collector
Observations and Recommendations**

There are multiple findings for Freeport Borough for tax year 2022. Please note the tax collector has stepped down from her elected position and the Armstrong County's Treasurer has assumed the role.

Finding 1: There were multiple NSF checks written by tax collector partially in relation to mixing the two accounts that were held (one for school tax and the other for County RE/Debt/Borough)

Recommendation: Review the bank balance before checks are issued. Reconcile bank statements monthly. The use of a check register would help catch errors before they occur (Treasurer created one after the fact for Tax Collector)

Finding 2: Tax Collector was unable to keep adequate records and perform regular duties without help from the Armstrong County Treasurer. (i.e. no check register until Treasurer created)

Recommendation: Follow the DCED PA Tax Collector Manual and ensure adequate records/accounting are kept. Along with common practice for receiving and remitting tax payer funds.

Finding 3: Tax Collector regularly had a balance at year end (one that did not reflect personal funds). There was no explanation as to why this occurred in Tax Collector records.

Recommendation: Any personal funds could be returned to Tax Collector after she vacated her position. Any remaining overpaid balance from previous years should be remitted to the state as unclaimed property. Any money owed to county, borough, or school district should be remitted to said entity.

Finding 4: Reports overlapping resulted in duplicate payments being made to payees.

Recommendation: Proper record keeping, documentation, and double checking work would have prevented these errors from occurring. Treasurer was able to help reverse these funds and reposition correctly.

Observation 1: Tax Collector did not mark receipts or duplicate paid.

Recommendation: Mark both receipts and duplicate paid as it is common practice. This can prevent errors and provide an additional paper copy for record.

DISTRIBUTION

of

**Internal Audit Report of
Freeport Borough Tax Collector**

Armstrong County Commissioners

Armstrong County Treasurer

Freeport Borough office

C. Sue Hunter, 2022 Freeport Borough Tax Collector

**CONTROLLER: Tammie Gaff
AUDITOR: Eric S. Davis**

March 19th, 2024

