

***Westmoreland County
Controller***

AUDITING DEPARTMENT

Jeffrey Balzer

County Controller

Audit of

City of Latrobe Revenue Department

Financial Statements – Modified Cash Basis
March 1, 2020 to February 28, 2021

Prepared for

Westmoreland County
Board of Commissioners

Audit of

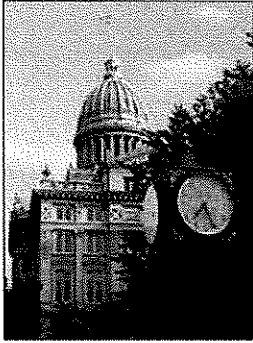
City of Latrobe Revenue Department

Presented by

Jeffrey Balzer
County Controller

And

Westmoreland County Auditing Department



Westmoreland County Controller's Office

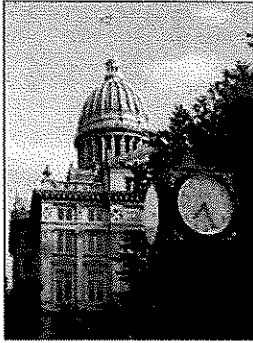
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City of Latrobe Revenue Department
Audit Distribution List
March 1, 2020 to February 28, 2021

1. Michael Gray, City Manager
2. Board of Commissioners
3. Linda Kuchar, Acting Director, Tax Office
4. Greater Latrobe Area School District, c/o Secretary
5. City of Latrobe, c/o Secretary
6. Brian Lawrence, Executive Director, Redevelopment Authority/Land Bank



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City of Latrobe Revenue Department
For the period March 1, 2020 to February 28, 2021

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Jeffrey Balzer, Controller

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December 16, 2021

Michael Gray, City Manager
City of Latrobe Revenue Department
PO Box 191
Latrobe, PA 15650

Dear Mr. Gray:

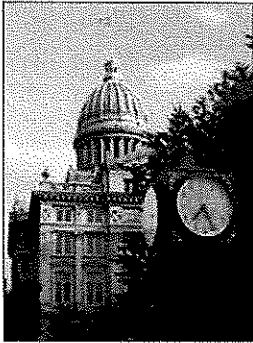
Transmitted herewith for your information is a copy of the audit of Westmoreland County Real Estate taxes processed and accounted for by your office, the purpose of which is to express an opinion on the fairness of the presentation of the financial statements for Westmoreland County Real Estate taxes for the period March 1, 2020 to February 28, 2021 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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December 16, 2021

Independent Auditor's Report

Michael Gray, City Manager
City of Latrobe Revenue Department
PO Box 191
Latrobe, PA 15650

Dear Mr. Gray:

We have audited the Statement of Balance Outstanding-Modified Cash Basis of the City of Latrobe Revenue Department for Westmoreland County General Real Estate taxes for the period ended February 28, 2021 and the Statement of Cash Receipts and Disbursements-Modified Cash Basis for the period March 1, 2020 to February 28, 2021 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 City of Latrobe Revenue Department'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 City of Latrobe Revenue Department'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 City of Latrobe Revenue Department's for the period ended February 28, 2021 for general taxes, and the Cash Receipts and Disbursements-Modified Cash Basis for the period March 1, 2020 to February 28, 2021 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 December 16, 2021 on our consideration of the City of Latrobe Revenue Department'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 28, 2021, and it is not intended to be complete presentation of the Revenue Department's financial position or results of operation on the modified cash basis of accounting.

Sincerely,



Jeffrey Balzer
County Controller

City of Latrobe Revenue Department
Statement of Cash Receipts and Disbursements
Modified Cash Basis
For the period March 1, 2020 to February 28, 2021

Receipts:

General	\$ 1,301,687.32	
Total Receipts		1,301,687.32

Disbursements:

March	250,765.62	
April	405,532.93	
May	429,939.11	
June	70,452.72	
July	45,618.51	
August	53,583.91	
September	25,529.37	
October	3,036.02	
November	4,419.72	
December	7,728.90	
January	5,080.51	
February	-	
 Total Disbursements		 1,301,687.32
 Balance Due		 \$ -

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

City of Latrobe Revenue Department
Statement of Balance Outstanding
Modified Cash Basis
For the period March 1, 2020 to February 28, 2021

Amount Charged on the Duplicate:

General	1,410,652.54	
Total Amount Charged		1,410,652.54
Add: Surcharges	-	
Less: Exonerations	<u>(10.75)</u>	
Adjustment to the Duplicate		<u>(10.75)</u>
Total Available for Collection (Face)		1,410,641.79

Collections:

General	1,301,376.73	
Land Bank	310.59	
Less Overpayments	<u>(607.95)</u>	
Total Actual Amount Collected		1,301,079.37
Add: Discounts	25,748.47	
Less: Penalties	<u>(313.84)</u>	
Adjustments		<u>25,434.63</u>
Face Collections		<u>1,326,514.00</u>
Balance Outstanding (Face)		<u>\$ 84,127.79</u>

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

City of Latrobe Revenue Department
Notes to the Financial Statements
For the period March 1, 2020 to February 28, 2021

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 Revenue Department 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 Revenue Department to enable us to, and we do not, express an opinion on the Revenue Department as a whole. The financial statements present only the Westmoreland County Real Estate General taxes for the period ended February 28, 2021, on the modified cash basis of accounting and is not intended to be a complete presentation of the Revenue Department'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 Revenue Department 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, 2019 to September 30, 2020 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 Commercial Bank and Trust deposits of the City of Latrobe Revenue Department 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 28, 2021, the City of Latrobe Revenue Department's Commercial Bank and Trust deposits had a carrying value of \$0.39 and a bank balance of \$0.39. The bank balance was covered by the federal depository insurance.

City of Latrobe Revenue Department
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

December 16, 2021

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 City of Latrobe Revenue Department, for the period ended February 28, 2021 and for the period March 1, 2020 to February 28, 2021 for the Westmoreland County General Taxes and the related notes to the financial statements, and have issued our report thereon dated December 16, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Latrobe Revenue Department's internal control over financial reporting (internal control) as a basis for designing 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 City of Latrobe Revenue Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Latrobe Revenue Department'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 Revenue Department'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 certain deficiencies in internal control, described in the accompanying Schedule of Findings as items that we consider to be significant deficiencies.

- Item #1: Timely Remittance of County Money
- Item #2: Balance Outstanding Variance
- Item #3: Penalty Collected
- Item #4: Surcharges and Exonerations

City of Latrobe Revenue Department
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 City of Latrobe Revenue Department'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 financial statements. 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 and #3.

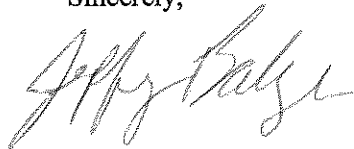
City of Latrobe Revenue Department's Response to Finding

City of Latrobe Revenue Department's response to the findings identified in our audit is described in the accompanying Management Response on page 12. City of Latrobe Revenue Department's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Revenue Department'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 Revenue Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



Jeffrey Balzer
County Controller

City of Latrobe Revenue Department
Schedule of Findings
For the period March 1, 2020 to February 28, 2021

Item #1: 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 in the remittance of county money. We noted that all receipts from September 8th were not remitted until September 23rd and receipts from October 23rd were not remitted until November 18th.

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 Revenue Department comply with the Commissioners' Resolution on remittances.

Item #2: Balance Outstanding Variance

Criteria:

The Revenue Department's final monthly report should reflect the same balance outstanding as the final run submitted to the Tax Claim Bureau and should agree to the Statement of Balance Outstanding.

Condition/Cause:

We noted that the Revenue Department's final remittance report and final run did not agree to the Statement of Balance Outstanding. The final monthly report agreed to the final run submitted to the Tax Claim Bureau because of an adjustment reflected on the final monthly report, but there was no backup documentation for this adjustment.

Effect:

Failure to balance the financial and detail records to the final run results in an inability to determine the true balance outstanding. Additional monies may be due to the County and/or refunds may be due, as a result of overpayments. Paid parcels may not be reflected as paid in the duplicate and could subsequently be submitted as delinquent to the Tax Claim Bureau.

Recommendations:

We recommend that the Revenue Department reconcile the final monthly report to the delinquent list submitted to the Tax Claim Bureau. On a monthly basis, the Revenue Department should reconcile the list of unpaid parcels to the balance collectible on the monthly DCED Report and documentation should be provided for any adjustments on the DCED reports.

City of Latrobe Revenue Department
Schedule of Findings - Continued
For the period March 1, 2020 to February 28, 2021

Item #3: Penalty Collected

Criteria:

Due to the Covid-19 pandemic, per the Commissioner's resolution #R-16-2020, "the County hereby waives any fees or penalties associated with the late payment of the tax imposed on the assessed value of real estate, provided the tax is paid in its entirety by December 31, 2020."

Condition/Cause:

We noted that the Revenue Department accepted payments in August, September, October, and November 2020 and payments in January 2021 in which the taxpayers had paid at penalty.

Effect:

This resulted in noncompliance with the resolution and overpayments to the county.

Recommendation:

We recommend the Revenue Department issue letters to the Tax Claim Bureau requesting refunds to the taxpayers for the penalty amounts paid.

Item #4: Surcharges and Exonerations

Criteria:

Surcharges and exonerations issued by the Tax Assessment Office should accurately be posted to the Revenue Department's monthly remittance reports submitted to the County.

Condition/Cause:

We noted that the exoneration for Map #15-03-0-480-90-100 was posted as \$20.20, rather than \$10.75 on the Revenue Department's monthly remittance report.

Effect:

The monthly remittance reports to the County reflect incorrect balances due and additional money is due to the county since an incorrect exoneration was reflected.

Recommendation:

We recommend that the Revenue Department post accurate exoneration and surcharge adjustments on the monthly remittance reports. Additionally, we recommend the Revenue Department submit the additional \$9.45 due to the County.

City of Latrobe Revenue Department
Compliance with Prior Years' Findings
For the period March 1, 2020 to February 28, 2021

At the completion of the 2019 audit, we made one recommendation for improving the City of Latrobe Revenue Department's accounting procedures and internal controls. The following is the status of that recommendation.

	Recommendation Complied With:		
	<u>Yes</u>	<u>No</u>	<u>In Process</u>
Item #1: Timely Remittance of County Money		X	

In response to the March 1, 2020 to February 28, 2021 audit for Westmoreland County Real Estate Taxes the City of Latrobe acknowledges the findings and will implement procedures per the recommendations provided. The City would also like to waive the post audit conference.

Finding #1 – The City will comply and remit all taxes and other funds for the County no less than every fifth business day.

Finding #2 – The City will implement a dual control system whereby the Deputy Tax Collector and the Director of Finance will reconcile the final monthly report to the delinquent list submitted to the Tax Claim Bureau.

Finding #3 – We will review the accepted payments for the months of August, September, October, and November 2020 and payments in January 2021 in which taxpayers paid at penalty. The City will issue letters to the Tax Claim Bureau requesting refunds to the taxpayers for the penalty amount.

Finding #4 – The City will accurately post any exoneration and surcharge on the monthly reports. The City will also submit the additional \$9.45 due to the County for exoneration of Map# 15-03-0-480-90-100.

Thank you,

Michael Gray
City Manager
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