



COUNTY OF LEHIGH  
OFFICE OF THE CONTROLLER

LEHIGH COUNTY GOVERNMENT CENTER  
17 SOUTH SEVENTH STREET  
ALLENTOWN, PA 18101-2400  
(610) 782-3082 FAX: (610) 871-2897

GLENN D. ECKHART  
COUNTY CONTROLLER

JOHN A. FALK  
DEPUTY CONTROLLER

**TO:** Final Report Distribution  
**FROM:** Glenn Eckhart, County Controller *G.E.*  
**DATE:** December 22, 2015  
**RE:** Compliance Audit of Delinquent Real Estate Tax Collection Activities

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The controller's office has completed an audit of compliance with the Pennsylvania Real Estate Tax Law Act 542 of 1947, applicable to delinquent real estate tax collection activities for the year 2014. Our audit report number 15-22 is attached.

The results of our audit are:

- The office was generally compliant with tax sale collection and procedures during 2014.
- All third party delinquent tax collections should be verified as accurately assessed and received by the Office of Fiscal Affairs.

Attachment

AUDITS/DELINQUENT RE TAX COLLECTION ACTIVITIES

**COUNTY OF LEHIGH, PENNSYLVANIA**  
**DELINQUENT REAL ESTATE TAX COLLECTION ACTIVITIES**

*Compliance Audit for the Year 2014*

REPORT NO. 15-22

COUNTY OF LEHIGH, PENNSYLVANIA  
DELINQUENT REAL ESTATE TAX COLLECTION ACTIVITIES

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COUNTY OF LEHIGH, PENNSYLVANIA  
BUREAU OF TAX CLAIMS – OFFICE OF FISCAL AFFAIRS  
DELINQUENT REAL ESTATE TAX COLLECTION ACTIVITIES

*Background*

Below is the reported 2014 Tax Claim Bureau activity:

Balance, January 1, 2014	\$ 3,773,971
Additions during 2014	6,979,430
Payments during 2014	(7,029,257)
Other adjustments*	<u>(166,881)</u>

Balance, December 31, 2014	\$ 3,557,263
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\*Net of reinstatements, voids, deletes, exonerations, other adjustments

All local taxing districts in the Commonwealth of Pennsylvania operate under a Tax Claim Bureau in accordance with Act No. 542 of 1947, as amended, with the exception of Philadelphia (a consolidated city/county of the first class), Allegheny County (a second class county), the political subdivisions therein, and Scranton (a second class A city) and its school districts.

The Tax Claim Bureau's objective is the enforcement of the Pennsylvania Real Estate Tax Sale Law, Public Law 1368, Act 542 of July 7, 1947. Act 542 provides a fair and efficient means for local governments in Pennsylvania to secure the collection of delinquent taxes. The Act further meets the provision that legislation be enacted to govern the sale of property for delinquent taxes so that title, free from liens and encumbrances, may be transferred to the purchasers of properties sold at County Treasurer's sales i.e. Upset and Judicial sales.

The Upset sale is scheduled during September of each year and the Judicial sale is scheduled before the end of each year. Tax parcels subject to Upset sale will be posted starting approximately July 1 of each year. Advertising of parcels subject to Upset sale will occur in the last week of July in the Morning Call, the East Penn Press and the Lehigh Law Journal.

Source: 2015 Lehigh County Budget

As of January 2015, Northeast Revenue, LLC is the official delinquent tax collection entity for Lehigh County. They are currently contracted for the years 2015 and 2016. Delinquent tax claims are still the responsibility of the Fiscal Officer.

Source: Bill 2014-30 and in Agreement for the Collection of Delinquent Real Estate Tax Services of Lehigh County Pennsylvania.





# COUNTY OF LEHIGH

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GLENN D. ECKHART  
COUNTY CONTROLLER

JOHN A. FALK  
DEPUTY CONTROLLER

Timothy Reeves, Fiscal Officer  
Office of Fiscal Affairs  
Lehigh County Government Center  
17 South Seventh Street  
Allentown, PA 18101-2400

### Compliance

We have audited the Office of Fiscal Affairs' compliance with Pennsylvania Real Estate Tax Law Act 542 of 1947, applicable to delinquent real estate tax collection activities for the year 2014. Compliance with the requirements referred to above is the responsibility of the Office of Fiscal Affairs' management. Our responsibility is to express an opinion on the Office of Fiscal Affairs' compliance based on our audit.

We conducted our audit of compliance 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 noncompliance with the compliance requirements referred to above that could have a material effect on delinquent tax collection activity. An audit includes examining, on a test basis, evidence about Office of Fiscal Affairs' compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Office of Fiscal Affairs' compliance with those requirements.

In our opinion, Office of Fiscal Affairs complied, in all material respects, with the compliance requirements referred to above that are applicable to Pennsylvania Real Estate Tax Law Act 542 of 1947, applicable to delinquent real estate tax collection activities for the year 2014. However, we noted compliance deficiencies or other management issues that are described in the accompanying "*Schedule of Audit Findings and Recommendations*".

### Internal Control Over Compliance

Management of the Office of Fiscal Affairs is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Office of Fiscal Affairs' internal control over compliance to determine the auditing procedures for the purposes of expressing an opinion on compliance, but not for the purposes of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Office of Fiscal Affairs' internal control over compliance.

A deficiency in internal control over compliance 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 noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency or combination of deficiencies in internal control over compliance, such that there is reasonable possibility that a material noncompliance with a compliance requirement will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance 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 deficiencies or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management; Thomas S. Muller, County Executive and the Board of Commissioners and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Glenn Eckhart  
County Controller

DATE  
Allentown, Pennsylvania

Audited by Robert Fenstermaker and Suraj Naik

xc: Board of Commissioners  
Robert Kennedy, Director, Information Technology  
Thomas Muller, County Executive  
Sean Shamany, Treasurer, Northeast Revenue, LLC

COUNTY OF LEHIGH, PENNSYLVANIA  
DELINQUENT REAL ESTATE TAX COLLECTION ACTIVITIES

*Schedule of Audit Findings and Recommendations*

1. Controls over Transactions Should be Strengthened

**Condition:**

- 1) Open claims details reports did not reconcile to accounts receivables for delinquent properties by over \$119,000. This difference was caused by a retroactive adjustment in July to January open claims. Management provides blanket authorization to Information Technology for adjustments to tax claims amounts.
- 2) Supporting documentation for selected voids and deletes was not available.

**Recommendations:**

- Reconciliations should be performed for every property that Northeast has verified as paid. A property-by-property reconciliation verifies that each payment by Northeast matches the county's open claims.
- Adjustments, whether made by Fiscal or by Northeast Revenue, LLC, should be individually approved by Fiscal management.
- Adjustments to the system that affect the county's accounts receivable must be backed up with evidence of the change, the reason for the change, and its approval.

2. Clarify who the Delinquent Tax Collector is on County Website

**Condition:** Currently, the Lehigh County website states "The Tax Claim Bureau collects delinquent real estate taxes (County, Borough, Township, and School) in Lehigh County." No information regarding the delinquent tax collector is noted. Additionally, links exist to tax sale notices and conditions of sale – the county no longer conducts any of the sales.

**Recommendation:**

The website should:

- State that Northeast is the collector of delinquent taxes and conducts all sales.
- Link to the website Northeast specifically provided for all the Lehigh County information.
- Remove all links to tax sales dates – individuals should check the Northeast website for such information.





**COUNTY OF LEHIGH**  
**Office of Fiscal Affairs**

**Timothy A. Reeves**  
**Director of Tax Claim Bureau**

TO: Glenn Eckhart, County Controller  
FROM: Timothy A. Reeves, Fiscal Officer  
Date: December 18, 2015  
RE: Status of Recommendations – Tax Claim Bureau

1. Controls over transactions

Status: The Fiscal Office will work directly with Northeast Revenue to provide a property-by-property reconciliation that verifies each payment and /or adjustment ties back to the county's open claims. In addition the Fiscal Office will electronically upload the activity on a quarterly basis in order to maintain and match our database in the event that the data would become unavailable from Northeast Revenue.

2. Update the County website

Status: The County website has been updated to reflect that Northeast Revenue collects delinquent taxes as agent for the Tax Claim Bureau. In addition, all links related to the sales point directly to the Northeast Revenue website for the applicable information.

Thanks again to the Controller's office for the guidance and recommendations to ensure adequate controls are in place and information is accounted for and available in an understandable format.

Regards,

Timothy A. Reeves  
Fiscal Office