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RE: SB1099

A.C. Stickel IV,
PSACC (Pennsylvania State Association of County Controllers)

Representing the Pennsylvania State Association of County Controllers, I stand in support of SB1099. County controllers are statutorily responsible to monitor, review, and account for many of the activities of real estate tax collectors. Real estate tax is the sole tax counties are allowed to levy, therefore it is imperative that this tax is collected accurately and efficiently.

Elected tax collectors, as a general rule, undoubtedly perform their duties in an exemplary manner. SB1099 in no way puts those collectors in jeopardy. We recognize that they are often the elected officials who enjoy the most direct contact with their constituents, something those taxpayers really value.

For those taxing bodies where the elected tax collector performs their duties in less than exemplary fashion, including unethical or even criminal activities, an alternative must be offered. SB1099 does exactly that. It offers an alternative in order to ensure accurate, efficient, and transparent collection of taxpayer money. The public trust must remain intact.

I'm in my first term as Controller of a 5th class county. I have already seen a variety of issues that cause me concern, especially after November's election where several new tax collectors were elected. In one case, a collector was elected and took office, then resigned prior to tax billing. In that case the prior collector was appointed. Following are some regular issues we face:

1. Most tax collectors were directed to my office for the oath to be sworn in by the Prothonotary. Unbeknownst to me, this was a regular practice for years. I recommended they be sworn in along with other municipal officials. The oath is readily available on their association website.
2. A majority of collectors have been using their social security numbers to open bank accounts. Those who use an Employer Identification Number (EIN), often used the one belonging to the municipality. My position is that this use is inappropriate. The account is opened, maintained, and closed by the collector, not the taxing body. Bank accounts were titled in the individual's name excluding the taxing district.

3. Payments made payable to the individual (excluding the taxing district) were accepted.
4. Refunds of tax already submitted to the taxing body is to be refunded by the taxing body. Often, tax collectors issue refunds directly to the taxpayer and reduce their remittance to the taxing body. This causes serious reconciliation differences between the collector and the taxing district.
5. There is no standardized method of collection or reporting.
 - a. Some tax collectors provide far less detail than other collectors.
 - b. There is no consistency in the frequency of tax and/or report remittances.
 - c. There is no requirement to use computer software.
 - i. Many collectors report via an excel spreadsheet.
 - ii. Some collectors remit handwritten reports with little, if any, supporting detail.
6. There is no consistency in auditing.
 - a. Township auditors are required to complete an annual report, however, this is hardly a thorough review.
 - b. School districts may send their auditors to do a cursory review.
 - c. Counties should be auditing tax collectors, but there is not required frequency or level of detail.
7. Collectors who work out of their home may not have adequate security.
 - a. If information is being maintained electronically, most collectors don't invest in adequate cyber security for the level of protection necessary.
 - b. There should be concerns about securing un-deposited funds, especially if daily deposits are not made.
8. In many cases, collectors working from home keep sporadic office hours which is inconvenient. Even with regular posted hours, vacations and emergencies can cause a disruption for the taxpayer.
9. Home offices are often less accessible to the public, especially in inclement weather or for handicapped individuals.

In Blair County, I have already faced several more disturbing issues:

1. It is reported that when a senior taxpayer arrived at the tax collector's home office, the sidewalk had not been cleared of snow. She fell, broke her glasses, and suffered facial injuries. She asked the tax collector to cover the cost of her glasses and insurance deductible. The tax collector initially refused, indicating she had no liability insurance. At the urging of Township Supervisors, the tax collector finally reimbursed the taxpayer approximately \$250.00.
2. We have several tax collectors who refuse to provide necessary reports with their tax remittance. This makes it nearly impossible to reconcile the accounts. The alternative is to reject the collection and delay revenue to the county. This option is unacceptable.

3. We have had several cases of NSF checks from the tax collectors. The most egregious was last December when one collector's check for \$18,000.00 was returned for insufficient funds. After finally reaching the collector, he seemed shocked and indicated he'd call me back. He did call soon after, indicating the bank had made an error when transferring funds. All taxes collected for a taxing district are to be maintained in one segregated account. There should have been no transfers.

Specific areas of concern provided by other counties:

1. This was an issue of the tax collector not knowing how to properly do the responsibilities expected from the job.
 - a. He would not reconcile his bank statements, even after it was suggested multiple times.
 - b. He would not do other necessary bookkeeping to keep the records straight. As a result, he was not refunding double payments (because he didn't know they were double payments), and he was sending to Tax Claim taxpayers who properly paid their taxes (because he was missing their payments and was not reconciling). Even after this was brought to his attention, he would not change his practices. Luckily he was leaving the money in his bank account, so the Controller's Office was finally able to take it over and correct errors as much as possible.
 - c. He ended his first year in office with over \$50,000 in the bank account and after his second year in office he had over \$110,000 in his bank account. This is somebody else's money – either the taxpayers' or the taxing authorities'.
 - d. He would not resign from his position, and we were finally able to take it over as a result of him not reconciling the previous year's taxes, which the Controller then had to cleanup.
 - e. Historically, the County Treasurer had been deputized to collect the tax. The municipality preferred to continue the practice, but was prohibited by an individual who won election with a single write-in vote.
2. During an audit by the County Controller's Office, they identified a taxpayer that was incorrectly sent to Tax Claim (they could clearly see the taxes being paid and the county had been contacted by the individual and his mortgage company) and multiple individuals that had double paid (again, the records we have are pretty clear that taxes have been paid twice for the same tax parcel).
 - a. Per their review of the records there is no record of payments being made to correct these issues.
 - b. The concerning part is the money is not in the Tax Collector's bank account to make these situations right. We're not sure where the money went, and he is not sure how this could have happened.
 - c. The Tax Collector will not work with the Controller's Office to get these issues resolved. The Tax Collector resigned a year early and the County took over collection of the taxes for the taxing authority. Per discussion with the Borough Manager, the Borough Office did not receive any phone calls or complaints once the County took over the

collection. That was not the case previous to the County taking over the collection of taxes.

- d. There was another individual elected to tax collector the next election cycle and again had issues with the collection of taxes. That individual has resigned and the county had to clean up the records. The borough is very happy that the county is again collecting their taxes. By passing SB1099 it would have given them the option to turn over tax collections to the county treasurer.

3. Sample of audit findings from various counties:

- a. Failure to account for \$23,082.39 of missing cash paid by ninety (90) taxpayers.
- b. Granting unauthorized individuals access to tax receipts and records.
- c. Failure to perform important recordkeeping practices required of a tax collector.
- d. Disorganized and inadequate recordkeeping.
- e. Interim tax bills where neither mailed nor used to update tax duplicate.

This testimony was gathered from a handful of county Controllers in a very short period of time. We agree that the vast majority of collectors are honorable, accurate, and transparent; however, in those instances where they are not or where there is no interest from qualified candidates to seek the office, a judicious alternative must be available.

SB1099 in no way infringes on the rights or livelihood of competent, qualified, efficient elected tax collectors. It simply provides an alternative where no option currently exists.

The public trust is something that once lost cannot easily be regained. It is our responsibility to ensure every dollar levied on taxpayers is accounted for in an accurate and transparent manner. Additionally, government has the responsibility to collect in a manner that is efficient, responsible, and cost effective.

I, along with the PSACC, urge passage of SB1099. Thank you!