




TO: Final Report Distribution
FROM: Mark Pinsley, County Controller 
DATE: September 13, 2024
RE: Compliance Audit – Tax Claims 2021-2023 (Elite Revenue Solutions, LLC)

We have completed an audit of real estate tax claims for the years 2021 through 2023. The County of Lehigh uses Elite Revenue Solutions, LLC as an agent for the Lehigh County Tax Claim Bureau, to collect and distribute delinquent real estate taxes for the County per Ordinance 2014-124. Our audit report #24-21 is attached.

The results of our audit are:

- Elite Revenue Solutions, LLC’s (“Elite”) management complied, in all material respects, with the compliance requirements applicable to collection of delinquent real estate taxes.
- The County of Lehigh lacks an effective third-party vendor risk management and compliance program.
- As noted in the prior audit, Elite retains possession and control of the collected funds until they are disbursed, and, as such, Elite’s financial condition should be reviewed periodically.
- We recommend the County should require Elite to forward all Lehigh County’s property owners’ unclaimed surplus tax sale funds to the County of Lehigh to be held in a trust account, with funds to be distributed according to the PA Unclaimed Property laws.

Attachment



COUNTY OF LEHIGH, PENNSYLVANIA

INDEPENDENT AUDITOR'S REPORT

Compliance Audit – Tax Claims (Elite Revenue Solutions, LLC)
For the Years 2021 through 2023

REPORT NO. 24-21

COUNTY OF LEHIGH, PENNSYLVANIA
TAX CLAIMS (ELITE REVENUE SOLUTIONS, LLC)
FOR THE YEARS 2021 THROUGH 2023

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Elite Revenue Solutions, LLC – Director of Operations/Partner’s Response.....	None

COUNTY OF LEHIGH, PENNSYLVANIA
TAX CLAIMS (ELITE REVENUE SOLUTIONS, LLC)
FOR THE YEARS 2021 THROUGH 2023

Background

Effective January 27, 2015, the County of Lehigh entered into an agreement (Ordinance 2014-124) with Elite Revenue Solutions, LLC to collect and distribute delinquent real estate taxes for the County.

The objective of this audit was to determine compliance by Elite Revenue Solutions, LLC to the terms and conditions of the above stated agreement.

The Fiscal Office collects the current County of Lehigh Real Estate Tax. Elite Revenue Solutions, LLC, as an agent for the Lehigh County Tax Claim Bureau, is responsible for the collection and distribution of delinquent real estate taxes and the facilitation of various forms of tax sales in compliance with Pennsylvania's Real Estate Tax Sale Law (RETSL).



COUNTY OF LEHIGH, PENNSYLVANIA
TAX CLAIMS (ELITE REVENUE SOLUTIONS, LLC)
FOR THE YEARS 2021 THROUGH 2023

*Financial Information
For the Calendar Years 2021 through 2023*

- **Unpaid Real Estate Taxes Turned Over to Elite Revenue Solutions, LLC**

<u>Tax Claim Year</u>	<u>Unpaid Amount</u>	<u>Accounts</u>
2023	\$ 1,833,228	3,172
2022	\$ 2,006,208	3,504
2021	\$ 2,077,191	3,401

- **Real Estate Taxes Collected, Returned to the County of Lehigh, and Outstanding as of 12/31/23**

<u>Fiscal Year</u>	<u>Tax Payments</u>	<u>Interest, Fees &</u>	<u>Outstanding Tax Claims**</u>
	<u>Penalties Received*</u>	<u>Compensation Received</u>	<u>As of 12/31/23</u>
2023	\$ 2,077,223	\$ 440,729	\$ 1,033,281
2022	\$ 2,334,464	\$ 487,010	
2021	\$ 2,854,039	\$ 420,715	

* Includes roll-back tax collections. Rollback taxes are a form of property tax that occurs when the use of a property changes, typically from agricultural or undeveloped land to commercial, residential, or industrial use. These taxes “roll back” to reflect the property’s new, higher value based on its new use. These are usually assessed on the difference between the property’s market value as agricultural land and its market value in its new use.

**Outstanding tax claims are the unpaid real estate taxes in the process of collections by Elite Revenue Solutions, LLC, on behalf of the County, as of 12/31/23. These include delinquent taxpayers, taxpayers under signed agreements, or delayed due to bankruptcy filings, legal holds, etc.

- **Upset and Judicial Tax Sales**

<u>Fiscal Year</u>	<u>Upset Sale</u>	<u>Judicial Sale</u>
2023	39	10
2022	47	9
2021	40	17

The [Upset Sale](#) is conducted once a year and is the first sale at which a delinquent taxpayer's property may be sold. Properties in which the real estate taxes are delinquent for two years are eligible for the Upset Sale. Properties that have not been sold at Upset Sale or [Private Sale](#) may be sold at the [Judicial Sale](#). Please click on the links provided for more information.

- **Annual Service Fee Compensation Amounts Received**

<u>Fiscal Year</u>	<u>Amount Received</u>
2023	\$ 325,000
2022	\$ 325,000
2021	\$ 325,000

Elite Revenue Solutions, LLC shall pay Lehigh County an annual servicing fee in the amount of (\$325,000.00) payable in quarterly installments payable on or before, March 31, June 30, September 30, and December 31.

- **Lease Agreement Amounts Received**

<u>Fiscal Year</u>	<u>Amount Received</u>
2023	\$ 38,732
2022	\$ 32,193
2021	\$ 34,451

County of Lehigh leases the 1st floor office suite at County of Lehigh Government Center to Elite Revenue Solutions, LLC.



OFFICE OF THE CONTROLLER

Mark Pinsley, MBA
COUNTY CONTROLLER

Nanton John, CFE
DEPUTY CONTROLLER

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

Sean Shamany, President/Director of Operations
Elite Revenue Solutions, LLC
100 N. Wilkes-Barre Blvd, Suite 205
Wilkes-Barre, PA 18702

Compliance

We have audited Elite Revenue Solutions, LLC's compliance with agreements to collect and distribute delinquent real estate taxes and payment of lease payments to the County of Lehigh for the years 2021 through 2023. Compliance with the requirements referred to above is the responsibility of Elite Revenue Solutions, LLC's management. The Chief Fiscal Officer is responsible for the oversight and monitoring of Elite Revenue Solutions LLC's performance and compliance to established agreements. Our responsibility is to express an opinion on Elite Revenue Solutions, LLC's 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 generally accepted government auditing 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 collections and office space rents. An audit includes examining, on a test basis, evidence about Elite Revenue Solutions, LLC's 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 management's compliance with those requirements.

In our opinion, Elite Revenue Solutions, LLC's management complied, in all material respects, with the compliance requirements referred to above that are applicable to collection of delinquent real estate taxes and payment of leased office space to the County of Lehigh for the years 2021 through 2023. **However, we noted compliance deficiencies or other management issues that are described in the accompanying "Schedule of Audit Findings and Recommendations" and Schedule of Prior Audit Findings and Recommendations (Report #21-20 issued September 20, 2021).**



Internal Control Over Compliance

Management of Elite Revenue Solutions, LLC 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 Elite Revenue Solutions, LLC management's 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 Elite Revenue Solutions, LLC management's internal control over compliance.

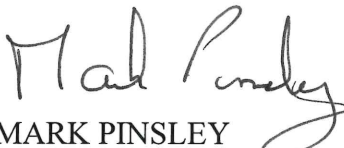
A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance on a timely basis. A material weakness in internal control over compliance 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.

Management's Response to the Audit

If provided, the Chief Fiscal Officer's response to our audit is included in this report. We did not audit the Chief Fiscal Officer's response and, accordingly, we do not express an opinion on it.

This report is intended solely for the information and use of management; Phillips Armstrong, County Executive; Edward Hozza, County Administrator; Board of Commissioners; and others within the county 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.


MARK PINSLEY
County Controller

Audited by: Allan Vavra

September 11, 2024
Allentown, Pennsylvania

xc: Phillips Armstrong, County Executive
Board of Commissioners
Edward Hozza, County Administrator

COUNTY OF LEHIGH, PENNSYLVANIA
TAX CLAIMS (ELITE REVENUE SOLUTIONS, LLC)
FOR THE YEARS 2021 THROUGH 2023

Schedule of Audit Findings and Recommendations

1. Oversight of Elite Revenue Solution, LLC Activities

Condition:

Oversight control deficiencies have been identified during the audit that would warrant a more effective periodic review of Elite Revenue's operations in order to verify that they are consistent with terms of the written agreement and to ensure compliance to applicable federal and state, rules, and regulations, as well as internal policies and procedures.

As a result of the audit substantive testing, the following exposures were not identified during management's ongoing periodic monitoring review.

- Proceeds from 15 unclaimed surplus tax sales, totaling \$96,975.95, were not disbursed to the PA Bureau of Unclaimed Property as of 4/15/23.
- Six past due quarterly service fee payments from Elite Revenue Solutions were not detected and reported.
- Status of Elite Revenue Solution, LLC's financial condition has not been determined. Repeat finding. See Schedule of Prior Audit Findings and Recommendations section.
- Adequacy of insurance policies coverage has not been determined.
- Accuracy of interest rate calculations could not be verified to written terms (I.e., There was no documentation supporting the interest methods and calculations used). For example:
 - Elite Revenue Solutions does not charge interest during the first month of the year when funds are turned-over to them.
 - Taxpayer is charged a full month interest when payments are made before the month-end date.
 - Interest rate of 9% and the methods used were not included in the contract, nor disclosed to the taxpayer.

Recommendation:

Lehigh County Administration should design and maintain a more effective oversight program to monitor Elite Revenue, LLC's activities. An oversight program will generally include monitoring of Elite Revenue Solutions, LLC quality of service, risk management practices, financial condition, customer complaints, and applicable controls and reports. The County should maintain documents and records of their oversight work performed.

Regarding the unclaimed surplus tax sale proceeds exposure, we recommend that the County should require Elite Revenue Solutions, LLC to forward all of Lehigh County's property owners' unclaimed surplus tax sales funds to the County of Lehigh to be held in a trust account, with funds to be distributed according to the PA Unclaimed Property laws.

COUNTY OF LEHIGH, PENNSYLVANIA
TAX CLAIMS (ELITE REVENUE SOLUTIONS, LLC)
FOR THE YEARS 2021 THROUGH 2023

*Schedule of Prior Audit Findings and Recommendations
(Report #21-20 issued September 20, 2021)*

1. Evaluate Elite Revenue Solution, LLC's financial condition

Condition:

Elite Revenue Solutions, LLC ("Elite") is the County's agent for the collection of delinquent real estate taxes. Elite retains possession and control of the collected funds until they are disbursed, and, as such, Elite's financial condition should be reviewed periodically.

Recommendation:

Elite's financial statement should be reviewed by the fiscal officer at least annually. Any concerns regarding its ability to meet its financial obligations should be discussed and documented with the appropriate individuals at Elite.


Current Status:

No action was taken. Management is accepting the associated risks.

TO: Mark Pinsley, County Controller
FROM: Timothy A. Reeves, Chief Fiscal Officer
DATE: September 11, 2024
RE: Response to Audit Findings and Recommendations – Tax Claims 2021-2023 (Elite Revenue Solution, LLC).

1. Oversight of Elite Revenue Solution, LLC Activities

Response: Administration will continue to review the annual audited financial statements of Elite Revenue as well as follow up on any reported customer complaints or quality of service issues as warranted. The County will also work directly with Elite Revenue on turning over all unclaimed surplus tax sale funds to the County for distribution to the PA Unclaimed Property Division in accordance with a three year, no claim request policy. If there is a claim or request outstanding the three years will extend to five years before turning over such funds.



Timothy A. Reeves, Chief Fiscal Officer