

East Lampeter Township Tax Collector Audit Report

For the period of January 1, 2014 through January 15, 2015
with findings through October 31, 2015



Brian K. Hurter, CPA
Lancaster County Controller

East Lampeter Township Tax Collector Audit
For the period of January 1, 2014 through January 15, 2015
with findings through October 31, 2015

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Controller's Office

150 North Queen Street
Suite #710
Lancaster, PA 17603
Phone: 717-299-8262
www.co.lancaster.pa.us

Controller
Brian K. Hurter, CPA

January 22, 2016

Jeffrey Cutler, Tax Collector
East Lampeter Township
67 Cambridge Village
Lancaster, PA 17602

Dear Mr. Cutler:

Attached is the audit report of your tax collection records for the County of Lancaster, prepared by the Lancaster County Controller's Office. Our examination procedures were performed covering the period of January 1, 2014 through January 15, 2015, the date of settlement, however we included findings and/or observations up through October 31, 2015. We started auditing your records in July 2015 and have reached out to you several times with questions or issues we had. We appreciate the responses you provided to us. Our most recent letter, dated December 29, 2015, received no written or verbal response from you. We are now preparing to issue this report to the Lancaster County Board of Commissioners based on our findings. Before we issue the audited report to the Board of Commissioners, we are sending a copy to you for your review.

Please provide responses to these findings as you deem necessary. We look forward to hearing from you by February 1, 2016. If no response is received to my Office by that date, we will continue to move forward with issuing the report to the Board of Commissioners.

Sincerely,

Brian K. Hurter, CPA
Lancaster County Controller

mw/srt

cc: Dennis P. Stuckey, Board of Commissioners Chairman
Joshua G. Parsons, Board of Commissioners Vice-Chairman
Craig E. Lehman, Board of Commissioners
Amber Green, Lancaster County Treasurer
Ralph M. Hutchison, East Lampeter Township Manager





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Controller
Brian K. Hurter, CPA

January 22, 2016

Dear Lancaster County Board of Commissioners:

We have examined and audited the financial records and related documentation of the East Lampeter Township Tax Collector, Jeffrey Cutler ("Mr. Cutler"), for the period of January 1, 2014 through January 15, 2015, which also resulted in an examination of related documentation through October 2015. The purpose of this examination is to ensure compliance with Section 26 (b) (1) of the Local Tax Collection Law, Act of May 25, 1945, P.L. 1050, No. 394 Cl. 53 ("Local Tax Collection Law"). The Local Tax Collection Law contains guidance and procedures for the elected tax collectors. Based upon the audit we have issued a report thereon dated above.

We conducted our audit to obtain reasonable assertion about whether the tax collections are free of material misstatement and to determine the accuracy of the timeliness of the County real estate taxes collected. The financial affairs and compliance with the applicable law are the responsibility of the East Lampeter Township Tax Collector. We do not express an opinion on the information examined because the limited procedures performed do not provide us with sufficient evidence to express an opinion. We did, however, find several instances that warrant mention and these instances are described in the Findings section.

Our examination procedures were performed covering the period of January 1, 2014 through January 15, 2015, the date of settlement, however, we included findings and/or observations up through October 31, 2015.

This report is intended for the information and use of the East Lampeter Township Tax Collector and the Lancaster County Board of Commissioners, and is not intended and should not be used by anyone other than these specified parties without consent. However, public policy dictates that this report is a matter of public record and its distribution is not limited.

Sincerely,

Brian K. Hurter, CPA
Lancaster County Controller



**East Lampeter Township Tax Collector
Relevant Audit Notes
For the period January 1, 2014 through January 15, 2015**

Note A – DESCRIPTION OF TAX COLLECTOR

Pursuant to the Local Tax Collection Law, a “Tax Collector” or “Elected Tax Collector” by definition “*shall include every person duly elected or appointed to collect all taxes, levied by any political subdivision included in the provisions of this act, including the treasurers of cities of the third class, elected collectors of taxes in townships of the first class and county collectors of taxes in counties of the third, fourth, fifth, sixth, seventh and eighth class who have been designated to collect county and institution district taxes in cities of the third class and county treasurers in counties of the fourth, fifth, sixth, seventh and eighth class who have been designated to collect county taxes in municipalities existing or organized under 53 Pa.C.S. Pt. III Subpt. E (relating to home rule and optional plan government) that have eliminated the elective office of tax collector and county treasurers in counties of the third, fourth, fifth, sixth, seventh and eighth class who have been designated to collect taxes under section 4.4 of this act. The term includes a person authorized to collect taxes under section 4.2 of this act.*”

Jeffrey Cutler was elected to the position of East Lampeter Township Tax Collector on or about November 5, 2013. Mr. Cutler was elected with a single write-in vote. On January 22, 2014, Cutler was officially sworn into the position.¹

Mr. Cutler’s responsibilities are to East Lampeter Township and the County of Lancaster. In 2014, East Lampeter Township was the third largest taxing district by total assessed value in Lancaster County with an assessed total of \$1,630,825,600. East Lampeter Township is the seventh largest taxing district by taxable accounts with a total of 5,445 parcels. Lancaster County is comprised of 60 taxing districts.

Note B – DESCRIPTION OF BANK ACCOUNTS

Mr. Cutler manages two bank accounts related to tax collection. The first bank account, Tax Collector Account (“*Tax Collector Account #8603*”), is used for all tax collection deposits and subsequent withdrawals for issuances of refunds, payments to Lancaster County for county taxes, and payments to East Lampeter Township for municipal taxes. The second bank account, Administrative Account (“*Administrative Account #8612*”), is a personal account used for administrative purposes dealing with the deposit of tax fees collected and to cover the fees due to the financial arrangement and services set up with Fulton Bank. Mr. Cutler utilizes a lockbox system with Fulton Bank for the collection of county and municipal taxes. This system allows any East Lampeter Township taxpayer to pay at any Fulton Bank location in person or by mail through the lockbox.

¹ Taken from Court of Common Pleas of Lancaster County – Docket No. 15-05424

East Lampeter Township Tax Collector
Relevant Audit Notes (*Continued*)
For the period January 1, 2014 through January 15, 2015

Note B – DESCRIPTION OF BANK ACCOUNTS (*Continued*)

Due to the arrangement Mr. Cutler has maintained, Fulton Bank has established a fee schedule for lockbox usage and Mr. Cutler uses the *Administrative Account #8612* to cover the fees incurred with the lockbox. Any and all tax fees collected should be deposited in the *Administrative Account #8612*.

Note C – OBSERVATIONS AND BACKGROUND OF AUDIT

On approximately July 29, 2015, the Controller's Office began to review tax collections for the 2014 tax year, reported by Mr. Cutler, the East Lampeter Township Tax Collector.

On August 7, 2015, a letter from the Controller's Office was mailed to Mr. Cutler stating that a review of the 2014 tax year records was being conducted and there were approximately eight points of concern that the Controller brought into question. More so, it was determined through this review, that real estate taxes were reported as collected outside of the correct payment period. For example, in December 2014, Mr. Cutler recorded tax collections at discount even though the discount period ended April 30, 2014. Exhibit A is a copy of the letter sent to Mr. Cutler on August 7, 2015. The Controller's Office gave Mr. Cutler two weeks to respond and Mr. Cutler responded and provided documentation via e-mail on August 20, 2015. Exhibit B is a copy of the e-mail sent by Mr. Cutler. The additional documentation that was provided to the Controller's Office from Mr. Cutler can be provided upon request.

Following the first letter mailed on August 7, 2015, a follow up letter was mailed to Mr. Cutler on September 14, 2015. The letter requested Mr. Cutler to schedule a meeting to provide 2014 tax year records and bank statements so that the Controller's Office could take a more in-depth look into the collections, as well as to advise him that at some point in the future, the Controller's Office may decide to look into the 2015 tax year records. Exhibit C is a copy of the September 14, 2015 letter sent to Mr. Cutler. The Controller's Office gave Mr. Cutler two weeks to respond. Mr. Cutler responded within the two week time frame and a meeting was scheduled and held on October 7, 2015.

On October 7, 2015, Mr. Cutler met with the Lancaster County Controller ("Controller") and his staff in the Controller's Office. This meeting was to discuss open concerns, gain an understanding of Mr. Cutler's tax collection process, and to also provide his financial records to the Controller for review, as requested in the September 14, 2015 letter.

East Lampeter Township Tax Collector
Relevant Audit Notes (*Continued*)
For the period January 1, 2014 through January 15, 2015

Note C – OBSERVATIONS AND BACKGROUND OF AUDIT (*Continued*)

Also, during October 2015, the Controller's Office subpoenaed Mr. Cutler's financial records for the *Tax Collector Account #8603* and the *Administrative Account #8612* from Fulton Bank. As stated above, Mr. Cutler has two bank accounts with Fulton Bank; one intended to deal specifically with tax collections and the other, a personal/administrative account to cover fees assessed and tax certifications.

A third and final letter was sent by the Controller's Office to Mr. Cutler on December 29, 2015 detailing eleven findings and requesting that Mr. Cutler respond within two weeks. No written or verbal response was received by the Lancaster County Controller nor did Mr. Cutler reach out to the Controller or his staff. Exhibit D is a copy of the letter sent to Mr. Cutler on December 29, 2015.

East Lampeter Township Tax Collector
Audit Findings
For the period January 1, 2014 through January 15, 2015

This section of the report presents the findings that resulted from our in-depth examination of the financial records and bank statements. Following the findings, we provide recommendations to correct or better the described occurrences.

Finding 1 – Timely Submission of Tax Collections (Section 25 of the “Local Tax Collection Law”):

Background:

According to the noted portion of Section 25 - Collection and Payment Over of Taxes of the Local Tax Collection Law below, the following is to be completed by the East Lampeter Township Tax Collector (and all that fall under the definition of “Tax Collector” or “Elected Tax Collector” per the definition provided in **Note A**):

“The collector shall pay over on or before the tenth day of each month, or more often if required by ordinance or resolution of the taxing district, to the treasurer of the taxing district all moneys collected as taxes during the previous month or period and take receipt for the same.

The tax collector shall, at any time on demand of any taxing district, exhibit any duplicate in his possession showing the uncollected taxes as of any date.”

Description:

1a. It was documented multiple times throughout the 2014 tax year that moneys collected during a previous month were not properly transferred over to the Lancaster County Treasurer’s Office (“Treasurer’s Office”) by the tenth day in the immediate following month. A review of the bank statements and other documentation provided from Fulton Bank, such as check copies, along with the activity in M.R. ETC², shows multiple instances where the moneys were collected and reported processed by the bank, but the bill payments were not entered in M.R. ETC by Mr. Cutler until much later. Mr. Cutler did not turn these moneys over to the Treasurer’s Office until he had entered them into M.R. ETC. These instances exhibit that Mr. Cutler did not comply with Section 25 of the Local Tax Collection Law throughout the 2014 tax year. See Exhibit E for a copy of the total moneys not properly paid over in the correct tax collection period.

² M.R. ETC stands for Municipal Real Estate Tax Collection and was the real estate tax collection software used by the Lancaster County Treasurer’s Office. This software was used by the Treasurer’s Office from the 2011 tax year through the 2015 tax year and was created specifically for Lancaster County. It was relied on by all tax collectors during this period.

East Lampeter Township Tax Collector
Audit Findings (*Continued*)
For the period January 1, 2014 through January 15, 2015

Finding 1 – Section 25 of the “Local Tax Collection Law” (*Continued*):

Description (*Continued*):

1b. Per a review of the bank balances throughout 2014, each month had a significant bank balance that was carried forward. This, along with a review of the collection activity in M.R. ETC, shows a sharp contrast to prior years when the Lancaster County Treasurer (“Treasurer”) collected property taxes. We noted, per a review of prior year activity, that when the Treasurer was the tax collector and the discount period ended on April 30th, there was minimal discount payment activity in the following month. While there is typically some “roll over” for the months following the end of discount and base periods because of timing and post mark issues, when Mr. Cutler began collecting taxes, this activity was significantly higher.

Finding 2 – No Payment Documentation:

Description:

Throughout the 2014 tax year, there were approximately 233 bill payments that were recorded in M.R. ETC at discount or base after the discount and base periods ended. We, with the files provided by Mr. Cutler and Fulton Bank, were able to search for the check copies, tax bill copies, and any relevant documentation submitted with payment by the taxpayer to verify if these parcels were actually paid in the wrong period or if these parcels were paid and just not entered into M.R. ETC in a timely manner. After our thorough review, we were unable to find bill and payment documentation for one tax bill. The bill payment for that parcel was entered into M.R. ETC on December 24, 2014, yet recorded at discount in the amount of \$612.76. The remaining 232 bill payments were able to be identified with their check copies, bank process dates, and copies of their tax bill. Although the bill payments were actually received at Fulton Bank during their designated discount or base period, they were not turned over to the County nor reported in M.R. ETC in a timely fashion. These payments were submitted anywhere from one to eight months late.

**East Lampeter Township Tax Collector
Audit Findings (*Continued*)
For the period January 1, 2014 through January 15, 2015**

Finding 3 – Outstanding/Missing Checks:

Description:

Upon our review of the bank statements, there were approximately twenty checks from the *Tax Collector Account #8603* that were not shown as cleared. While some of these checks are as recent as October 2015, other checks date back to June 2014. The following check numbers appear as outstanding/not having cleared the bank: 1022, 1023, 1024, 1025, 1029, 1030, 1038, 1040, 1042, 1048, 1049, 1056, 1060, 1063, 1065, 1079, 1100, 1112, 1119, and 1136. With approximately 119 checks issued from January 2014 until October 2015, twenty outstanding/not cleared checks is 16.8% of all checks issued. When there are numerous outstanding checks, it leaves an uncertain picture of the financial position of the *Tax Collector Account #8603* and exactly how much in disbursements remain unpaid during the audit review period.

Finding 4 – Ending Balance in Tax Collector Account #8603:

Description:

Per review of the *Tax Collector Account #8603* bank statements, for the period of 12/31/2014 through 01/31/2015, there was an ending balance of \$52,452.49. Accordingly, the *Tax Collector Account #8603* should have “zeroed” out or at the least have a very minimal balance after the 2014 tax year-end settlement. Settlement is a final reconciliation of payments for the tax year and is completed by the 15th of January of the following year. If there is any balance after settlement, a reconciliation should be completed for these moneys. At that point, all moneys due Lancaster County and East Lampeter Township should have been turned over to the appropriate parties. Per a review of the December 31, 2014 through January 31, 2015 bank statement, it is unclear why there is such a high ending balance as of January 31, 2015.

Finding 5 – Return Deposit Item Issue:

Description:

After a review of the bank statements for the *Tax Collector Account #8603*, it was noted that on July 7, 2014, there was a debit in the amount of \$842.93 with a description of “RET DEP ITEM”. Following that specific returned deposit, on July 22, 2014 there was a deposit in the identical amount of \$842.93 with a description “RESUBMITIT LLC JEFFREY CUTLER R0000000000”. This is the only time during the audit period we saw a returned deposit item (assumingly a nonsufficient funds issue) being separately re-deposited back into the *Tax Collector Account #8603* at a later date.

**East Lampeter Township Tax Collector
Audit Findings (*Continued*)
For the period January 1, 2014 through January 15, 2015**

Finding 5 – Return Deposit Item Issue (*Continued*):

Description (*Continued*):

There were at least two other noted instances of a return deposit item (labeled on bank statement as “RET DEP ITEM”), but those items were never separately re-deposited back into the *Tax Collector Account #8603* and there was only the one “RE\$UBMITIT” transaction, which could raise the question that the other returned deposits were never properly re-collected.

Finding 6 – Non-Tax-Related Transaction in *Tax Collector Account #8603*:

Description:

6a. After a review of check copies and bank statement from the *Tax Collector Account #8603* for the period 02/28/15 through 03/31/15, we determined that Check #1086, dated March 10, 2015 for \$1,293 was issued to an insurance company and the memo states, Inv #288747. Any non-tax-related transactions, more specifically, the payment of invoices, should not be handled through a tax collection account, but instead through a tax collector’s personal account, which in this case could be Mr. Cutler’s *Administrative Account #8612*. Under no circumstances, should a tax collector charged with the collection of taxes, convert or appropriate moneys collected, or any part thereof, to his own use, nor comingling those collections with personal funds.³

³ The following is an excerpt from Pennsylvania’s Tax Collector’s Manual, Seventeenth Edition, April 2007 regarding how to handle account set up and the comingling of funds:

“XIII. Paying Over Tax Receipts: All tax funds collected by the tax collector should be deposited in a bank account. Since bank services and fees vary, tax collectors should shop for a financial institution which can best serve them. The tax collector and ultimately the surety are responsible for these funds. The tax collector only serves as trustee of the funds; any interest earned on the tax monies belongs to the taxing district, not to the tax collector. A tax collector should establish a separate account for depositing monies. Ideally, a separate account should be established for each taxing district. The EIN number of the taxing district should be used for identification purposes, not the Social Security number of the tax collector. Under no circumstances should tax collectors deposit funds into personal accounts. All interest earned should be credited to the proper taxing district and paid over monthly or more frequently as the taxing district requires. In some jurisdictions, tax collectors deposit funds directly into the accounts of the taxing districts. This practice is quite acceptable.”

**East Lampeter Township Tax Collector
Audit Findings (Continued)
For the period January 1, 2014 through January 15, 2015**

Finding 6 – Non-Tax-Related Transaction in Tax Collector Account #8603 (Continued):

Description (Continued):

6b. Per a review of check copies and bank statements from the *Tax Collector Account #8603* for the period 09/30/14 through 10/31/14, we found Check #1059, dated October 7, 2014 for \$19.50 was issued to a title company and the memo states, Tax Cert Refund. Any non-tax-related transactions, including Tax Certifications are to be handled through a tax collector’s personal account, which in this case could be Mr. Cutler’s *Administrative Account #8612*. Under no circumstances, should a tax collector comingle funds between their personal/administrative account and their tax collector account.

Finding 7 – Unspecified School District Payments in Tax Collector #8603 and Administrative Accounts #8612:

Description:

Per a review of check copies and bank statement from the *Tax Collector Account #8603* for the period 9/30/15 through 10/31/15, we found Check #1139, dated October 27, 2015 for \$605.44 was issued to a local school system with a memo stating an account number. A further review of checks and bank statement from the *Administrative Account #8612* for the period 6/30/14 through 7/31/14, showed that Check #1002, dated July 7, 2014 for \$14.70 was also issued to the same local school system with a memo that stated a specific bill number. As an elected tax collector for Lancaster County and East Lampeter Township, under no circumstance should taxes be collected for and remitted to any schools or school districts. An elected tax collector’s responsibility is to the County and Municipality only. Under no circumstances, should a tax collector charged with the collection of taxes, convert or appropriate moneys collected, or any part thereof, to his own use, nor comingle tax collections with personal funds.

Finding 8 – Inappropriate Use of Tax Collector Account #8603:

Background:

On the afternoon of October 7, 2015, Mr. Cutler met with the Controller and his staff in the Lancaster County Controller’s Office to discuss open concerns, explain his process of tax collection, and also to turn over his financial records, as requested in an earlier letter, dated September 14, 2015. During the meeting, Mr. Cutler advised staff that he made a deposit and withdrawal of \$75,099 from the *Tax Collector Account #8603* in order to get a cashier’s check.

**East Lampeter Township Tax Collector
Audit Findings (Continued)
For the period January 1, 2014 through January 15, 2015**

Finding 8 – Inappropriate Use of Tax Collector Account #8603 (Continued):

Background (Continued):

Per a review of the bank statements provided by Fulton Bank, for the period 08/31/14 through 09/30/14 for the *Tax Collector Account #8603*, there is a deposit of \$75,099 that was posted on September 5, 2014 and a withdrawal of \$75,099 that was also posted on that same date. A review of bank withdrawal slips indicates a withdrawal initiated by Mr. Cutler for \$75,099 and issuance of a cashier's check in the amount of \$75,099 to the American Freedom Law Center. Under no circumstances should a tax collector charged with the collection of taxes, convert or appropriate moneys collected, or any part thereof, to his own use, nor comingle tax collections with personal funds.

Finding 9 – Transfer of Funds Between Tax Collector Account #8603 & Administrative Account #8612:

Description:

Upon a review of all the bank statements, checks and deposits for the two bank accounts (*Tax Collector Account #8603* and *Administrative Account #8612*), it was determined that there was a transfer of funds initiated by Mr. Cutler on three separate occasions from the *Tax Collector Account #8603* to the *Administrative Account #8612*: Check #1081 dated February 9, 2015 for \$3,000.20, Check #1098 dated April 14, 2015 for \$7,222 and Check #1099, dated April 29, 2015 for \$2,908 with memos that state: Fee Transfer, Fee Transfer to Admin, and Fee Transfer WFB, respectively. The three transfers from the *Tax Collector Account #8603* to the *Administrative Account #8612* were not submitted with any documentation or back-up as to how the amounts were arrived at or what they represented. Under no circumstances, should a tax collector deposit tax funds into a personal/administrative account or comingle funds from the two.

Finding 10 – Tax-Related Transaction in Administrative Account #8612:

Description:

It was determined that there was a deposit for a tax payment by a taxpayer into the *Administrative Account #8612*, which is specifically Mr. Cutler's personal/administrative account. Per Fulton Bank's account statement for the period 05/31/14 through 06/30/14, Check #1320, dated June 14, 2014, for \$1,492.80 was deposited into Cutler's *Administrative Account #8612* on June 24, 2014.

East Lampeter Township Tax Collector
Audit Findings (*Continued*)
For the period January 1, 2014 through January 15, 2015

Finding 10 – Tax-Related Transaction in *Administrative Account #8612 (Continued)*:

Description (*Continued*):

Although it is in excess of sixty-cents, this amount clearly represents tax payment for two bills in the amounts of \$672.74 and \$819.46 for a total of \$1,492.20. We did not see any evidence that the funds for this tax payment, representing two parcels, were ever transferred to the appropriate account, i.e., the *Tax Collector Account #8603*. Under no circumstances, should a tax collector deposit tax funds into a personal/administrative account or comingle funds from the two.

Finding 11 – Unknown Deposit in *Administrative Account #8612*:

Description:

On June 16, 2014, there was a miscellaneous deposit in the *Administrative Account #8612* in the amount of \$517.91. While this is Mr. Cutler's personal/administrative account, used for the payment of fees incurred and for the collection of tax fees, we have previously noticed some tax related collections or payments occurring in this account. Since there is no description on the specific check, it is impossible to know what the moneys received are for and if it could be related to a tax collection.

East Lampeter Township Tax Collector
Audit Recommendations
For the period January 1, 2014 through January 15, 2015

In the preceding section of this report, we listed eleven findings from our in-depth examination. This section of the report presents the recommendations we have provided to correct or better the described occurrences listed in the Audit Findings.

1. Understand your responsibilities as an Elected Tax Collector.
2. Understand the Local Tax Collection Law and have procedures in place to follow the Local Tax Collection Law. Use Pennsylvania's Tax Collector's Manual for guidance.
3. Prepare monthly bank reconciliations to ensure the amounts collected are correctly turned over to the County and the Municipality by the tenth day of the following month, per Section 25 of the Local Tax Collection Law.
4. Submit timely tax collection moneys to the County and Municipality so that the balance in the *Tax Collector Account #8603* at the end of the month is kept minimal. Keep good financial records for all reconciling items.
5. Review your tax certifications and any other non-tax-collection related transactions that are deposited via the lockbox (*Tax Collector Account #8603*) and transfer the non-tax-collection deposits to the *Administrative Account #8612* in a timely manner.
6. Keep the *Tax Collector Account #8603* segregated from all other accounts. Use the *Tax Collector Account #8603* for only tax related transactions and have documentation if it is necessary to make transfers between the two accounts.
7. Keep good financial records and documentation on all outstanding checks. If needed, follow up on the status of the outstanding checks.
8. Enter tax collections into tax collector software on a timely basis so that records are kept accurate.
9. Do not accept payments into the lockbox system (*Tax Collector Account #8603*) or allow Fulton Bank to collect tax payments in the amounts that do not agree to the tax bill issued in the period that the bill is being paid.
10. Do not allow payments for tax certifications or other fees to go into the lockbox (*Tax Collector Account #8603*).

East Lampeter Township Tax Collector
Audit Summary of Facts
For the period January 1, 2014 through January 15, 2015

Based on the aforementioned findings and recommendations, it is clear that Jeffrey Cutler, East Lampeter Township Tax Collector, failed to follow good business and fiscal practices. As the East Lampeter Township Tax Collector, Mr. Cutler is solely responsible for the collection of municipal and county taxes for the third largest taxing district by size (Assessed value: \$1,630,825,600) and seventh largest taxing district by taxable accounts (Taxable accounts: 5,445). Out of 60 taxing districts in Lancaster County, Mr. Cutler was one of 29 elected tax collectors during 2014 (all other taxing districts are collected by the Lancaster County Treasurer). When auditing the records of the other elected tax collectors, the issues that arose with Mr. Cutler's financials were not experienced by any other elected tax collector.

Prior to Mr. Cutler's election in November 2013, the Lancaster County Treasurer was the collector of municipal and county taxes for the taxpayers of East Lampeter Township. When the Treasurer was collector of taxes, none of the above-mentioned issues arose nor did the Treasurer demonstrate any questionable accounting practices.

Throughout 2014, numerous instances of problematic business practices occurred. The most significant issues that occurred are as follows:

- No reconciliation of the *Tax Collector Account #8603* on a monthly basis.
- Consistent high bank balance after monthly settlement and at year-end settlement when the bank balance should be minimal. The bank balance of the *Tax Collector Account #8603* was \$52,452.49 after settlement on January 15, 2015.
- Regularly reported moneys in tax collection software outside of the period in which they were collected.
- When reporting moneys outside of the period in which they were actually collected, these moneys were not turned over to the "taxing district" in a timely fashion. These moneys are to be submitted within ten days of month end, per Section 25 of the Local Tax Collection Law.
- Shows a lack of paper trail and payment documentation for tax payments received, transfers between accounts, and outstanding/non-cleared checks.
- Depositing and withdrawing personal money in *Tax Collector Account #8603* for a cashier's check relating to a non-tax-related issue.
- Regularly comingled funds between personal/administrative bank account (*Administrative Account #8612*) and *Tax Collector Account #8603*.

East Lampeter Township Tax Collector
Audit Summary of Facts (*Continued*)
For the period January 1, 2014 through January 15, 2015

Based on this report issued, a lack of recent response from Mr. Cutler, and preliminary review of 2015 tax collection records, the Lancaster County Controller's Office is expecting to review East Lampeter's 2015 tax records. The Controller's Office may continue to review 2014 tax collection records, especially at the change in payment periods to gain an even better understanding of individual tax payments received and any potential misappropriation of funds. It appears the same concerns have continued in 2015 and there is no evidence that they will be addressed and corrected by Mr. Cutler. After attempts to bring these issues to Mr. Cutler's attention and to assist him in correcting them, Mr. Cutler has ignored the last and final attempt (See Exhibit D and **Note C** in audit report).

Based on the multiple findings in the audit report, as well as the unsatisfactory fiscal procedures mentioned above, we have determined an amount that we believe is owed to Lancaster County for failure to pay over Real Estate tax moneys in a timely basis. This amount is collected at the legal rate of interest at 6% and was determined from a review of the amounts Mr. Cutler reported in the tax collection software outside of the period that they were due and collected. For the amounts reported collected at discount outside of the discount period, we believe Lancaster County is also owed the 2% discount that was given. For the amounts reported collected at discount and base during the penalty period, we believe Lancaster County is due the additional 10% penalty that was not collected. We calculated this amount to be \$17,922.00 for 2014. Please see the separate attachment for the amount of moneys due Lancaster County for 2014 in Exhibit E.

Lancaster County provides taxpayers with a 2% discount until April 30 and allows base collections until June 30 of each year so that Lancaster County can use the tax dollars to best serve the residents of Lancaster County as a whole. Throughout 2014, Mr. Cutler did not provide prompt tax payments to Lancaster County. Though there were many, during one specific instance, Mr. Cutler recorded a tax collection and submitted the funds to the county in January 2015, even though the moneys were collected on March 12, 2014. This shows a clear lack of ultimate concern and care for the collection of taxes as a whole, and for the concern and care of the tax moneys of the taxpayers of East Lampeter Township.

**East Lampeter Township Tax Collector
Audit Responses – February 8, 2016
For the period January 1, 2014 through January 15, 2015**

This section of the report presents responses from the Lancaster County Controller's Office to the email received from East Lampeter Township Tax Collector, Jeffery Cutler, and the letter received from Mr. Cutler's attorney, Drew Deyo ("Mr. Deyo"), in response to the East Lampeter Township Tax Collector Audit issued January 22, 2016 and previous correspondence sent by the Controller's Office. The Controller's Office responses are as of February 8, 2016.

Exhibit F is a copy of the email sent by Mr. Cutler. The email was received by the Controller on January 26, 2016, and Mr. Cutler made the following statements:

- A. The delay in response to the Controller's Office was due to someone gaining unauthorized access to his apartment.

Controller's Office Response: Any unauthorized access to his apartment should be taken up with local law enforcement. Mr. Cutler never addressed the latest concerns raised by the Controller's Office prior to his email received on January 26, 2016, even though contact information was provided on all correspondence between the Controller's Office and Mr. Cutler. In addition, Mr. Cutler was at the Lancaster County Government Center frequently during January and February 2016, and he made no attempt to discuss the situation with the Controller or his staff.

- B. The erroneous deposit of taxpayer funds into the *Administrative Account #8612* has been corrected.

Controller's Office Response: Per review of the documentation provided by both Mr. Cutler and Fulton Bank to the Controller's Office through October 31, 2015, there was no indication that deposit had been corrected. No additional documentation has been provided by Mr. Cutler to support the correction noted.

- C. The large deposit and withdraw on the same day was teller error, and was the purchase of a bank check with funds 100% outside taxpayer funds.

Controller's Office Response: When this issue was discussed in person with Mr. Cutler on October 7, 2015, he gave no indication that this transaction was due to teller error. Per review of the documents provided by Fulton Bank it appears that Mr. Cutler intentionally used the *Tax Collector Account #8603* to have a bank check issued. The Controller's Office reviewed copies of the checks and deposit tickets for this specific transaction and they are clearly prepared by Mr. Cutler utilizing the *Tax Collector Account #8603*. As discussed in the audit report, under no circumstances, should a tax collector commingle funds between their personal/administrative account and their tax collector account.

East Lampeter Township Tax Collector
Audit Responses – February 8, 2016 (*Continued*)
For the period January 1, 2014 through January 15, 2015

D. The deposit of Aerotek's check was to keep the *Administrative Account #8612* funded.

Controller's Office Response: During the audit it was noted that the Controller's Office did not have a sufficient description to determine the source of these funds. No additional documentation has been provided by Mr. Cutler.

Exhibit G is a copy of the letter received from Mr. Cutler's Attorney, Mr. Deyo. The letter was received by the Controller's Office on February 4, 2016, and made the following points:

1. Mr. Cutler uses a shoe-box accounting system where everything goes into one account. Checks 1081, 1098, and 1099 all represent fees paid by banks or realty companies. Mr. Cutler receives lots of different fees written to him, and transfers said fees into the Admin Account.

Controller's Office Response: A shoe-box accounting system is typically used by individuals who do not understand accounting or know how to perform accounting functions. These individuals collect any and all documents that are used to complete their financial statements, financial records, or taxes and hand them over to their accountants at year-end and their accountants complete the necessary reports. A tax collector should not be utilizing a shoe-box accounting system. Per review of the documentation received from Mr. Cutler, there was no accounting or documentation for the fees that these checks represent. As discussed in the audit report, under no circumstances, should a tax collector comingle funds between their personal/administrative account and their tax collector account.

2. Check 1059 in the amount of \$19.50 was handled through the Tax Collector Account because the sender sent it to that account, and Mr. Cutler seeks to avoid double work and double accounting. All fees come out of the Admin Account.

Controller's Office Response: By accepting tax fees through the *Tax Collector Account #8603* it requires double work and double accounting because the fees will need to be removed from that account and transferred to the *Administrative Account #8612*. As recommended in the audit report, any tax fees should be handled through the *Administrative Account #8612* and the *Tax Collector Account #8603* should only be used to accept payments that agree to the tax bills. By only handling tax bills through the *Tax Collector Account #8603* this will alleviate the need for double work and double accounting.

East Lampeter Township Tax Collector
Audit Responses – February 8, 2016 (*Continued*)
For the period January 1, 2014 through January 15, 2015

3. Check 1086 was sent to the Tax Collector Account by the sender; Fulton Bank deposits all checks and will not hold checks. Check 1086 was not for the Tax Collector, so Mr. Cutler gave it back to the sender.

Controller's Office Response: Per review of the check, the memo line references a specific invoice. It is interesting that Mr. Cutler would reference a specific invoice on a check that is being returned to the sender. The Controller's Office reviewed the lockbox records supplied by Mr. Cutler and Fulton Bank and did not find an amount that agreed to this check being deposited into the *Tax Collector Account #8603*. There was no additional documentation provided by Mr. Cutler regarding this transaction. Per conversation with Fulton Bank, they do offer a service where only checks that agree to the tax bills are deposited. The Controller's Office recommends utilizing that service.

4. Mr. Cutler does not recollect the specific debit and deposit of \$842.93 on 7/7/14, but remembers identifying an error in Fulton Bank's audit system, which he brought to their attention so it could be corrected.

Controller's Office Response: There was no additional information or clarification provided on this transaction by Mr. Cutler. If Mr. Cutler had prepared bank reconciliations it would clearly show the nature of this transaction.

5. Checks 1139 and 1002 represent payments made to the CV School System that were mistakenly sent to Mr. Cutler.

Controller's Office Response: The tax collector's responsibility is to the County and Municipality only. These amounts should have been returned to the taxpayer. The tax collector should not accept amounts that do not agree to the tax bill. Furthermore, a tax collector should not accept payment for taxes he is not authorized to collect.

East Lampeter Township Tax Collector
Audit Responses – February 8, 2016 (Continued)
For the period January 1, 2014 through January 15, 2015

6. The deposit and withdraw of \$75,099 on 9/5/14 was an error by the bank teller. Mr. Cutler wanted a bank check in the amount of \$75,000, but the teller deposited \$75,000 instead of giving him a bank check. The error was on the part of the bank teller, but was immediately rectified.

Controller's Office Response: When this issue was discussed in person with Mr. Cutler on October 7, 2015, he gave no indication that this transaction was due to teller error. Per review of the documents provided by Fulton Bank it appears that Mr. Cutler intentionally used the *Tax Collector Account #8603* to have a bank check issued. The Controller's Office reviewed copies of the checks and deposit tickets for this specific transaction and they are clearly prepared by Mr. Cutler utilizing the *Tax Collector Account #8603*. As discussed in the audit report, under no circumstances, should a tax collector commingle funds between their personal/administrative account and their tax collector account.

7. The \$612.76 represents a credit for payment that Mr. Cutler gave to an individual who had a receipt from the bank; Mr. Cutler contacted the bank and confirmed that the individual made the payment.

Controller's Office Response: The Controller's Office requested a check copy and the date the check was deposited into the *Tax Collector Account #8603* from Mr. Cutler. There was no additional documentation provided by Mr. Cutler to verify his statement.

8. The checks identified in Question 8 are NOT outstanding. The checks all contained mistakes, so they were voided by Mr. Cutler.

Controller's Office Response: There seems to be a high number of voided checks. As noted in the audit report, almost 17% of the checks issued by this account have been voided. There was no additional documentation provided by Mr. Cutler. If Mr. Cutler had provided bank reconciliations it would clearly show that the checks are not outstanding.

9. Question 9 fails to consider that Mr. Cutler employs the shoebox method of accounting.

Controller's Office Response: The *Tax Collector Account #8603* has a balance of \$52,452 on January 31, 2015. This balance is after settlement of 2014 taxes, therefore, the bank account should have a minimal balance and any balance should be reconciled. This is not acceptable under any method of accounting.

**East Lampeter Township Tax Collector
Audit Responses – February 8, 2016 (Continued)
For the period January 1, 2014 through January 15, 2015**

10. This issue raised in Question 10 was a simple accident on the part of Mr. Cutler, but has since been corrected.

Controller's Office Response: Per review of the documentation provided by both Mr. Cutler and Fulton Bank to the Controller's Office through October 31, 2015, there was no indication that deposit had been corrected. No additional documentation has been provided by Mr. Cutler to support the correction noted.

11. Check 202163789 was a check written by Mr. Cutler that he deposited into the Admin Account so that the Admin Account would not run out of money.

Controller's Office Response: This check was not written by Mr. Cutler, the check was written by Aerotek. No additional documentation was provided to determine if this transaction is related to tax collections or is a personal check.

Controller's Office Summary:

Mr. Cutler only addressed some of the findings noted in the East Lampeter Township Tax Collector Audit Report in his email dated January 26, 2016, and in the letter received by Mr. Cutler's attorney on February 4, 2016. Mr. Cutler's responses did not provide any additional documentation or satisfy the concerns noted by the Lancaster County Controller's Office. In addition to the findings that Mr. Cutler addressed, there were numerous other findings noted in the audit report that were not addressed. Mr. Cutler failed to address tax moneys that were and continue to be paid over to the taxing districts outside of the tax collection periods, the lack of a reconciliation for the *Tax Collection Account #8603*, and a balance in the *Tax Collection Account #8603* of \$52,452 on January 31, 2015 when the bank account balance should be at or near zero. These three issues cause the most concern for the Controller's Office. The lack of response and failure to address these issues continue to show a lack of concern and care for Mr. Cutler's responsibilities as a tax collector, and for the concern and care of the tax moneys and taxpayers of East Lampeter Township.


Controller's Office

150 North Queen Street
Suite #710
Lancaster, PA 17603
Phone: 717-299-8262
www.co.lancaster.pa.us

Controller
Brian K. Hurter, CPA

August 7, 2015

Jeffrey Cutler, Tax Collector - 2014
East Lampeter Township
67 Cambridge Village
Lancaster, PA 17602

Dear Mr. Cutler:

Recently, we reviewed the 2014 Tax Collector Reports and the Delinquent Tax Listing for East Lampeter Township. Designated time frames for tax collections are: **Discount period if paid by 4/30/2014, Base period if paid by 6/30/2014 and Penalty period if paid after 8/31/2014**. Given these designated time frames and the periods in which you recorded collections, the following concerns were noted:

- June 2014 report: \$3,650.22 Real Estate collected at **Discount**.
- July 2014 report: \$47,246.29 Real Estate and \$59.23 March Interims collected at **Discount**.
- August 2014 report: \$351.09 Real Estate collected at **Discount**.
- October 2014 report: \$4,236.23 Real Estate collected at **Discount** and \$20,850.29 at **Base**.
- November 2014 report: \$53,630.87 Real Estate collected at **Discount** and \$553.53 at **Base**.
- December 2014 report: \$22,119.42 Real Estate collected at **Discount** and \$5,270.83 at **Base**.
- End of Year 2014 report: \$7,287.74 Real Estate collected at **Discount**.

Additionally, the Municipal Real Estate Tax Collection program (M.R. ETC.) is designed to create a paper trail for all transactions, including refunds. It was noted on your May report that you correctly applied an exoneration in the amount of \$669.68 for , but refunded the money directly to the taxpayer, rather than turn the money over to the County and process the refund through M.R. ETC.

Please provide an explanation why the above tax collections were reported collected outside of the designated time frames. We look forward to hearing from you by August 24, 2014. You may direct any questions or concerns to Sandra Thompson, a member of my staff, at 717-299-8265.

Sincerely,

Brian K. Hurter, CPA
Lancaster County Controller
Srt

cc: Craig A. Ebersole, Treasurer
Ralph M. Hutchison, Township Manager

Note: see attached



Exhibit A

Note: discovered after mailing

1. 8/31/2014 should be 6/30/2014
2. Discount should be Base
3. 2014 should be 2015

Hurter, Brian K

From: Thompson, Sandy
Sent: Thursday, August 20, 2015 8:49 AM
To: Hurter, Brian K; Luciani, Matt
Subject: FW: Undeliverable: Letter of August 7, 2015
Attachments: controller_answer.pdf; 430Wholesale_pg669to687.pdf; wholesale_895to900.pdf; Wholesale_425_WellsFargo.pdf

Please see Mr. Cutler's response.

From: Jeffrey Cutler [mailto:eltaxcollector@gmail.com]
Sent: Thursday, August 20, 2015 8:44 AM
To: Thompson, Sandy <ThompsoS@co.lancaster.pa.us>
Subject: Fwd: Undeliverable: Letter of August 7, 2015

Per my phone call

Forwarded conversation

Subject: Letter of August 7, 2015

From: Jeffrey Cutler <eltaxcollector@gmail.com>
Date: Thu, Aug 20, 2015 at 5:37 AM
To: thontsos@co.lancaster.pa.us

Sandra;

Although this is not directly relevant to your letter, I thought you should be aware of the following.

I won the office of Tax Collector by one write-in vote and marble #2 in the November 2013 election (my first elected office). After taking the oath of office (to Defend the Constitution) and on the last day of 2013, I went to Washington, DC and filed a challenge to the Affordable Care Act, primarily because I felt it conflicted with a previous Supreme Court Decision, "1947 Everson v. Board of Education" I also asserted that the president made the law unconstitutional by the "Administrative Fix" on 06March2014 (Equal Protection Under The Law). I am not a lawyer, and have no formal legal training. I wrote the entire lower court case myself and went to Washington as required to file updates to the case during the early part of 2014.

I now have help with my appeal, case # 14-5183. Oral arguments were in the DC Court of Appeals 12MAY2015.

<http://www.americanfreedomlawcenter.org/case/jeffrey-cutler-v-u-s-dept-of-health-human-services/>

The decision was August 14, 2015. The court reversed part of the lower court decision but still found for the government. In the next 90 days I believe an appeal to the Supreme court will be entered.

I have attached a response letter and selective reports.

Jeff Cutler

(717) 390-9921
(215) 872-5715
(717) 854-4718



Tax Collector
East Lampeter Township
2250 Old Philadelphia Pike
Lancaster, PA 17602

August 20, 2015

Brian Hurter
150 North Queen Street
Suite #710
Lancaster, 17603

Re: RESPONSE TO YOUR LETTER OF AUGUST 7, 2015

Dear Mr. Hurter;

I took the office of Tax Collector on January 6, 2014. On January 7, 2014 I signed a contract with Fulton Bank to assist me and started 2 checking accounts by depositing an amount of \$ 4000.00 of my own savings split between the 2 accounts. This started a "lockbox" service maintained by Fulton bank. This allows everyone to pay taxes at over 80 branches of Fulton bank, just like the CV school system. All funds mailed or paid at a branch are deposited to the Tax Consolidation Account. All bank charges and fees are deducted from the Administrative Account (except charges for checks..that is a Fulton Bank policy I could not change.) There is no ATM access to either account. I had no relationship with Fulton bank prior to January 7, 2014.

My interface to the deposits is via reports and statements. 100% of the deposits to the Tax Consolidation Account are photocopied and available as a non-searchable pdf document. All payment reports are divided into 2 classes the Fulton Bank calls retail and wholesale. Retail reports contain tax payments with a bill that exactly match the amount for that time period. Wholesale reports contain everything else, including advertisements, letters, etc.

As a simple answer to your letter I made an error or the M.R. ETC program directed me to refund the funds directly.

To clarify the above statement, the M.R. ETC program directed me (tax collector) to refund the funds for East Lampeter Assoc, as part of the exoneration.

All of the reporting outside the correct time periods is attributed to three basic errors or problems.

Exhibit B

Page 2

August 20, 2015

1. Wells Fargo and CoreLogic (they account for over 1300 of the total tax bills) furnished 100% of their payent reports as hard copy documents that were scanned and I used to manually enter the tax information.
2. The payments at the transition between discount and base allowed me to miss some payments.
3. Certain checks from third parties had no tax identification listed with the check.

I have got Fulton bank to adjust some of the reporting to assist better accuracy. In December 2014 they updated their systems.

in 2015 Wells Fargo and CoreLogic furnished 100% of their payent reports as hard copy documents, even though they were sent a CD that allowed them to print any tax bill I mailed to taxpayers.

I can furnish specific information upon request, if you need more information.

Sincerely,

S/

Jeffrey Cutler
Tax Collector East Lampeter Township, Pennsylvania



Controller's Office

150 North Queen Street
Suite #710
Lancaster, PA 17603
Phone: 717-299-8262
www.co.lancaster.pa.us

Controller
Brian K. Hurter, CPA

September 14, 2015

Jeffrey Cutler, Tax Collector - 2014
East Lampeter Township
67 Cambridge Village
Lancaster, PA 17602

Dear Mr. Cutler:

Thank you for your response to our letter dated, August 7, 2015 regarding your 2014 tax collections for East Lampeter Township. We are concerned about some of the numbers recorded in your Tax Collector Reports and would like to perform a more in-depth audit by taking a look at your tax collection records and Bank Statements for 2014. Also, we realize you are currently in the midst of collecting taxes for 2015, however, we may determine at some point that we would like to look at those records as well. Thus far, your 2015 records seem much improved over 2014.

We are located at 150 North Queen Street and our hours of operation are Monday through Friday, 8:30 am to 5:00 pm. Please contact us to set up a day and time to come by with your records and bank statements. We can make other accommodations if these days and times do not work for you. We look forward to hearing from you and scheduling a meeting by September 28, 2015. You may direct any questions or concerns to Sandra Thompson, a member of my staff, at 717-299-8265.

Sincerely,

Brian K. Hurter, CPA
Lancaster County Controller
Srt

cc: Craig A. Ebersole, Treasurer
Ralph M. Hutchison, Township Manager





Controller
Brian K. Hurter, CPA

December 29, 2015

Jeffrey Cutler, Tax Collector - 2014
East Lampeter Township
67 Cambridge Village
Lancaster, PA 17602

Dear Mr. Cutler:

We have been reviewing your files, together with records provided by Fulton Bank and have the following questions:

1. On three separate occasions, there was a transfer of funds from the Tax Collector Account (8603) to the Administrative Account (8612), as shown below. Please provide an explanation as to what these funds represented, how they were determined, and why the transfer between the two accounts occurred:
 - A. **Check# 1081**, dated February 9, 2015, for \$3,000.20 to Jeffrey Cutler; memo states: Fee Transfer.
 - B. **Check# 1098**, dated April 14, 2015, for \$7,222 to Jeffrey Cutler; memo states: Fee Transfer to Admin.
 - C. **Check# 1099**, dated April 29, 2015, for \$2,908 to Jeffrey Cutler; memo states: Fee Transfer WFB.
2. We noted that the memo for **Check# 1059**, out of the Tax Collector Account (8603), dated October 7, 2014, for \$19.50, to _____ states: Tax Cert Refund. We would expect to see any tax-certification-related transactions in the Administrative Account (8612), not the Tax Collector Account (8603). Please confirm the nature of this transaction and advise why it was handled through the Tax Collector Account (8603).
3. **Check# 1086**, dated March 10, 2015, for \$1,293 to _____, states in the memo: Inv # _____. This does not appear to be a tax-collection-related issue, but rather payment of an invoice. Please confirm and state the purpose of this transaction and why funds were withdrawn from the Tax Collector Account (8603).
4. Per the bank statement for the Tax Collector Account (8603), for the period 06/30/14 through 07/31/14, it was noted that on 07/07/14 there was a debit of \$842.93, description: RET DEP ITEM; on 07/22/14 there was a deposit of \$842.93, description: RESUBMITIT LLC _____ & JEFFREY CUTLER R000000000. Please advise the nature of this transaction.
5. We noticed a debit from the Tax Collector Account (8603), **Check# 1139**, dated October 27, 2015, for \$605.44, to _____ memo states: _____. A debit was also noted from the Administrative Account (8612), **Check# 1002**, dated July 7, 2014, for \$17.70 to _____, memo states: _____. Please explain the nature of these two transactions.



Exhibit D

6. Per the bank statement for the Tax Collector Account (8603), a deposit of \$75,099 posted on September 5, 2014; a withdrawal of \$75,099 also posted on that same date. Please advise what these funds represented, the nature of the two transactions and why it was through the Tax Collector Account (8603) and not the Administrative Account (8612).
7. Reference Parcel# _____ pay date of 12/21/2014, \$612.76 at discount per M.R.ETC.: there is no documentation from the files you provided to us to support this payment. Please provide check copy and date check was deposited into the Tax Collector Account (8603).
8. Per the bank statements, there are twenty check numbers in your Tax Collector Account (8603) that are not shown as cleared, some as far back as June 2014 and others as recent as October 2015. Please advise the status of the following checks and your plan of action if any are still outstanding: 1022, 1023, 1024, 1025, 1029, 1030, 1038, 1040, 1042, 1048, 1049, 1056, 1060, 1063, 1065, 1079, 1100, 1112, 1119, and 1136.
9. There was an ending balance of \$52,452.49 in the Tax Collector Account (8603) per the bank statement, dated 12/31/14 through 01/31/15, for the period ending January 31, 2015. Please advise why the Tax Collector Account (8603) did not zero out after settlement in January 2015, for the tax year 2014.
10. We noted a deposit for a tax payment by tax payer _____ into the Administrative Account (8612): **Check #1320**, dated June 14, 2014, for \$1,482.80. This represents tax payment for Bill# _____ in the amount of \$672.74 and Bill# _____ in the amount of \$819.46 for a total of \$1,492.20. While this may have been an error, we would expect to see these funds transferred to the appropriate account, i.e., the Tax Collector Account (8603), but did not. Please confirm this and advise the disposition of these funds.
11. **Check #202163789** for \$517.91, dated June 12, 2014 from _____ was deposited into your Administrative Account (8612) on June 16, 2014. Please advise if this transaction is related to your tax collections or is simply a personal check.

Please address each of the above transactions separately by providing a written explanation. We appreciate your cooperation and look forward to hearing from you by January 12, 2016. You may direct any questions or concerns to Sandra Thompson, a member of my staff, at 717-299-8265.

Sincerely,



Brian K. Hurter, CPA
Lancaster County Controller
Srt

cc: Craig A. Ebersole, Lancaster County Treasurer
Ralph M. Hutchison, Township Manager

Note: see attached

Exhibit D

Note: discovered after mailing

1. \$17.70 should be \$14.70
2. 12/21/2014 should be 12/24/2014
3. \$1,482.80 should be \$1,492.80

EAST LAMPETER DUPLICATE TAX COLLECTIONS - 2014

Month	Previous Balance	Exons	Collected @ Discount	Discount	Collected @ Base	Collected @ Penalty	Penalty	Total Tax Received	Ending Balance	If Collected @ Base
FEBRUARY	\$ 5,583,840.09		\$ 10,002.33	\$ 200.05				\$ 9,802.28	\$ 5,573,837.76	\$ 10,002.33
MARCH	5,573,837.76		530,294.00	10,605.80				519,688.20	5,043,543.76	530,294.00
APRIL	5,043,543.76		2,034,885.85	40,697.66				1,994,188.19	3,008,657.91	2,034,885.85
MAY	3,008,657.91		2,165,841.11	43,316.25				2,205,918.46	759,423.20	2,249,234.71
JUNE	759,423.20		3,650.22	73.00	1			230,417.99	528,932.21	230,490.99
JULY	528,932.21		47,246.29	944.91	2			194,411.94	334,457.05	194,475.16
AUGUST	334,457.05	27,824.62			351.09	7		20,700.93	287,781.50	18,850.93
SEPTEMBER	287,781.50				20,850.29	8		9,183.33	279,433.02	8,348.48
OCTOBER	279,433.02				553.53	9		27,820.65	251,783.91	27,649.11
NOVEMBER	251,783.91				5,270.83	10		55,144.26	195,751.80	56,032.11
DECEMBER	195,751.80							61,698.40	136,770.16	58,981.64
End of Year	136,770.16							30,358.31	108,376.69	28,393.47
TOTAL			\$ 4,879,194.06	\$ 97,583.17	\$ 475,672.49	\$ 92,772.23	\$ 9,277.33	\$ 5,359,332.94	\$ 108,376.69	\$ 5,447,638.78
			87.38%		8.52%	1.66%		95.98%		97.56%

Notes:
Amounts in RED were paid outside of terms.

Discount Period - paid by April 30th
 Base Period - paid by June 30th
 Penalty Period - paid after June 30th
 July 2014 report shows \$59,23 March Interims collected at Discount

Difference	Calculation	Explanation of calculation.
1 -	91.25	Amount collected at discount outside the discount period (\$73). Should have been at base plus interest on the amount collected for 1 month (\$3,650.22*6%/12*1)
2 -	1,417.27	Amount collected at discount outside the discount period (\$944.91). Should have been at base plus interest on the amount collected for 2 months (\$47,246.29*6%/12*2)
3 -	614.25	Amount collected at discount outside the discount period (\$84,72). Should have been at penalty (\$4,236.23*10%) plus interest on the amount collected for 5 months (\$4,236.23*6%/12*5)
4 -	8,044.63	Amount collected at discount outside the discount period (\$1,072.62). Should have been at penalty (\$53,630.87*10%) plus interest on the amount collected for 6 months (\$53,630.87*6%/12*6)
5 -	3,428.52	Amount collected at discount outside the discount period (\$442.40). Should have been at penalty (\$22,119.42*10%) plus interest on the amount collected for 7 months (\$22,119.42*6%/12*7)
6 -	1,166.04	Amount collected at discount outside the discount period (\$145.76). Should have been at penalty (\$7,287.74*10%) plus interest on the amount collected for 8 months (\$7,287.74*6%/12*8)
7 -	36.86	Amount collected at base outside the base period. Should have been at penalty (\$351.09*10%) base plus interest on the amount collected for 1 month (\$351.09*6%/12*1)
8 -	2,397.78	Amount collected at base outside the base period. Should have been at penalty (\$20,850.29*10%) base plus interest on the amount collected for 3 months (\$20,850.29*6%/12*3)
9 -	66.42	Amount collected at base outside the base period. Should have been at penalty (\$553.53*10%) base plus interest on the amount collected for 4 months (\$553.53*6%/12*4)
10 -	658.85	Amount collected at base outside the base period. Should have been at penalty (\$5,270.83*10%) base plus interest on the amount collected for 5 months (\$5,270.83*6%/12*5)
Total	17,922.00	

Exhibit E

EAST LAMPETER DUPLICATE TAX COLLECTIONS - 2013

Month	Prev Balance	Exons	Collected @ Disc	Disc	Collected @ Base	Collected @ Prtly	Penalty	Total Tax Rcvd	Ending Balance	If Collected @ Base
JANUARY	\$ 5,571,177.31		52,054.38	\$ 1,041.08				\$ 51,013.30	\$ 5,519,122.93	\$ 52,054.38
FEBRUARY	5,519,122.93		325,800.45	6,515.87				319,284.58	5,195,322.48	325,800.45
MARCH	5,193,322.48		384,290.92	7,685.79				376,605.13	4,809,031.56	384,290.92
APRIL	4,809,031.56		3,975,220.72	79,503.73				3,895,716.99	833,810.84	3,975,220.72
MAY	833,810.84		166,776.73	3,335.55	46,748.36			210,189.54	620,285.75	213,525.09
JUNE	620,285.75				293,436.59			293,436.59	326,849.16	293,436.59
JULY	326,849.16				124,675.41			146,899.99	181,969.62	144,879.54
AUGUST	181,969.62					20,204.13	2,020.45	7,569.10	175,088.63	6,880.99
SEPTEMBER	175,088.63					6,880.99	688.11	22,424.61	154,702.63	20,386.00
OCTOBER	154,702.63					20,386.00	2,038.61	35,578.01	122,359.03	32,343.60
NOVEMBER	122,359.03					32,343.60	3,234.41	26,146.09	98,589.85	23,769.18
DECEMBER	98,589.85					23,769.18	2,576.91	27,229.06	73,836.16	24,753.69
End of Year	73,836.16					7,641.82	764.19	8,406.01	66,194.34	7,641.82
TOTAL			\$ 4,904,143.20	\$ 98,082.02	\$ 464,860.36	\$ 135,979.41	\$ 13,598.05	\$ 5,420,499.00	\$ 66,194.34	\$ 5,504,982.97
			88.03%		8.34%		0.24%	97.30%		

Discount Period - paid by April 30th
 Base Period - paid by June 30th
 Penalty Period - paid after June 30th

EAST LAMPETER DUPLICATE TAX COLLECTIONS - 2012

Month	Prev Balance	Exons	Collected @ Disc	Disc	Collected @ Base	Collected @ Prtly	Penalty	Total Tax Rcvd	Ending Balance	If Collected @ Base
FEBRUARY	\$ 5,174,006.62		\$ 374,344.78	\$ 7,340.09				\$ 367,004.69	\$ 4,799,661.84	\$ 374,344.78
MARCH	4,799,661.84		353,258.40	6,926.64				346,331.76	4,446,403.44	353,258.40
APRIL	4,446,403.44		3,573,729.79	70,073.13				3,503,656.66	872,673.65	3,573,729.79
MAY	872,673.65		183,789.94	3,603.72				218,280.41	650,789.52	221,884.13
JUNE	650,789.52				38,094.19			287,931.23	362,858.29	287,931.23
JULY	362,858.29				287,931.23			287,931.23	199,843.31	163,014.98
AUGUST	199,843.31				146,018.64			164,714.61	185,044.85	14,798.45
SEPTEMBER	185,044.85					14,798.45	1,699.63	16,278.29	178,163.87	6,880.99
OCTOBER	178,163.87					6,880.99	688.11	7,569.10	152,185.52	25,978.35
NOVEMBER	152,185.52					25,978.35	2,197.83	28,576.18	128,275.57	23,909.95
DECEMBER	128,275.57					23,909.95	2,391.00	26,300.95	120,180.02	8,095.55
End of Year	120,180.02					18,682.45	809.56	8,905.11	101,497.57	18,682.45
TOTAL	101,497.57		\$ 4,485,122.91	\$ 87,943.58	\$ 472,044.06	\$ 123,987.30	\$ 12,198.73	\$ 5,005,609.42	\$ 92,852.35	\$ 5,081,154.27
			86.69%		9.12%		0.24%	96.75%		

Discount Period - paid by April 30th
 Base Period - paid by June 30th
 Penalty Period - paid after June 30th

Exhibit F

Hurter, Brian K

From: Jeffrey Cutler <eltaxcollector@gmail.com>
Sent: Tuesday, January 26, 2016 7:16 PM
To: Hurter, Brian K
Cc: Drew Deyo
Subject: Re: East Lampeter Tax Collector Audit 1.22.16

Brian;

On Sunday 10JAN2016 at approximately 2:45 PM I recorded an unauthorized access to my apartment. Certain sensitive data appears to have been removed, Fulton Bank and the IRS have been notified. This delayed my response to you.

I have corrected the erroneous deposit of taxpayer funds in the administrative account. The large deposit and withdraw on the same day was a teller error, and was the purchase of a bank check with funds 100% outside taxpayer funds. The deposit of a check from Aerotek was to keep the administrative account funded as was the deposit of the check from Lancaster county during the same month because East Lampeter Township conspired to not pay for the legally required postage and printing of my office.

I was in training most of today for the devnet system and saw you have sent me some type of registered letter, which I have yet to pick up.

Jeff Cutler

On Fri, Jan 22, 2016 at 2:37 PM, Hurter, Brian K <BHurter@co.lancaster.pa.us> wrote:

Good Afternoon Mr. Cutler,

Please find the attached audit report performed by the Lancaster County Controller's Office. Our procedures were performed covering the period January 1, 2014 through January 15, 2015; however, we included findings through October 31, 2015. Before we issue the audited report to the Board of Commissioners, we are sending a copy to you for your review. Please provide responses to these findings as you deem necessary by February 1, 2016.

Thanks,

Brian Hurter

Controller

County of Lancaster

Exhibit F

150 North Queen Street

Suite #710

Lancaster, PA 17603

[717-299-8271](tel:717-299-8271)

bhurter@co.lancaster.pa.us



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Exhibit G

P.O. Box 22, Carlisle, PA 17013
drew@deyokullinglaw.com

Phone: (717) 448-6097
Fax: (717) 701-8228

16 FEB -6 PM 3:43
THE LAW OFFICE OF

DEYO & KULLING

2/1/16

Brian K. Hurter, CPA
Lancaster County Controller
150 North Queen Street
Suite 710
Lancaster, PA 17603

RE: Jeffrey Cutler, Tax Collector, Answers to Controller's Office Questions

Dear Mr. Hurter:

Below are Mr. Cutler's answers to the questions listed in the document dated December 29, 2015.

1. Mr. Cutler uses a shoe-box accounting system where everything goes into one account. Checks 1081, 1098, and 1099 all represent fees paid by banks or realty companies. Mr. Cutler receives lots of different fees written to him, and transfers said fees into the Admin Account.
2. Check 1059 in the amount of \$19.50 was handled through the Tax Collector Account because the sender sent it to that account, and Mr. Cutler seeks to avoid double work and double accounting. All fees come out of the Admin Account.
3. Check 1086 was sent to the Tax Collector Account by the sender; Fulton Bank deposits all checks and will not hold checks. Check 1086 was not for the Tax Collector, so Mr. Cutler gave it back to the sender.
4. Mr. Cutler does not recollect the specific debit and deposit of \$842.93 on 7/7/14, but remembers identifying an error in Fulton Bank's audit system, which he brought to their attention so it could be corrected.
5. Checks 1139 and 1002 represent payments made to the CV School System that were mistakenly sent to Mr. Cutler.

Exhibit G

6. The deposit and withdraw of \$75,099 on 9/5/14 was an error by the bank teller. Mr. Cutler wanted a bank check in the amount of \$75,000, but the teller deposited \$75,000 instead of giving him a bank check. The error was on the part of the bank teller, but was immediately rectified.
7. The \$612.76 represents a credit for payment that Mr. Cutler gave to an individual who had a receipt from the bank; Mr. Cutler contacted the bank and confirmed that the individual made the payment.
8. The checks identified in Question 8 are NOT outstanding. The checks all contained mistakes, so they were voided by Mr. Cutler.
9. Question 9 fails to consider that Mr. Cutler employs the shoebox method of accounting.
10. The issue raised in Question 10 was a simple accident on the part of Mr. Cutler, but has since been corrected.
11. Check 202163789 was a check written by Cutler that he deposited into the Admin Account so that the Admin Account would not run out of money.

If you have any questions or concerns regarding the above responses, please do not hesitate to contact my office at (717) 448-6097.

Sincerely,



Drew F. Deyo, Esquire