

CITY OF ALLENTOWN

Review: Refunds in Revenue & Audit

Date of Report: August 01, 2025

Residents in the City of Allentown are entitled to refunds for overpaid Real Estate Tax, Business Privilege Tax (BPT), Garbage Collection Fees, Stormwater Fees and unused Business Licenses.

Allentown residents 65 and over that meet income and residence criteria are eligible for Garbage and Water/Sewer Rebates. These refunds/rebates are processed by the Bureau of Revenue and Audit (R&A).

Per Ordinance: 525-2 Section B:

“Single-family and multifamily dwellings up to and including 25 units. Municipal waste generated by the occupants or owner of single-family and multifamily dwellings, up to and including 25 units within the City of Allentown, shall be included for collection by the authorized City Contractor in accordance with all applicable sections of this article except as set forth in Subsection **B(3)**, below.

[1] Rebates for eligible senior citizens for payment of the municipal waste and recycling fee.

[a] All bona fide residents of the City of Allentown who are 65 years of age or over shall be eligible for a partial rebate of the fee paid on their principal place of residence, provided that:

[i] Such residence is a single-family dwelling, owned and occupied by the claimant.

[ii] A request for a rebate shall be filed with the Department of Finance on such form as prescribed by that Department for such purpose. The request for rebate shall be filed by June 30 of the current year for a partial rebate of the municipal waste and recycling fee paid for the previous calendar year.

[iii] The total household income from all sources shall not exceed the amounts specified in the table below.”

State Law: Title 72 P.S. Taxation and Fiscal Affairs § 5566b:

“Whenever any person or corporation of this Commonwealth has paid or caused to be paid, or hereafter pays or causes to be paid, into the treasury of any political subdivision, directly or indirectly, voluntarily or under protest, any taxes of any sort, license fees, penalties, fines or any other moneys to which the political subdivision is not legally entitled; then, in such cases, the proper authorities of the political subdivision, upon the filing with them of a written and verified claim for the refund of the payment, are hereby directed to make, out of budget appropriations of public funds, refund of such taxes, license fees, penalties, fines or other moneys to which the political subdivision is not legally entitled. Refunds of said moneys shall not be made, unless a written claim therefore is filed, with the political subdivision involved, within three years of payment thereof.”

OBJECTIVE

The objective of the review was to:

Document the process flow for Refunds in R&A to identify any potential risk weaknesses.
Determine the existing policies and procedures that were being followed and whether internal controls were adequate to ensure that refunds are accurate and distributed to the correct individuals.

PROCEDURES

This audit was conducted in accordance with Generally Accepted Governmental Auditing standards and utilized an approach that included staff interviews, reviews of documents, and reports and examinations of individual financial transactions.

The period selected for testing was 2024. The process began by:

- Developing a Flowchart and Narrative for the Refund/Rebate Process.
- Using the Process Flowchart and Narrative to identify the potential risks and develop the appropriate testing for the risk area. Reviewing the controls for the process and identifying any potential weakness.
- Selecting a sample of refunds and rebates, tracing the process flow to the AP check mailing process.

FINDINGS, RECOMMENDATIONS AND RESPONSES

INTERNAL CONTROL WEAKNESSES

1. Lack of Water/ Sewer Rebate Ordinance

The City of Allentown offers Water/Sewer Rebates to residents based on age and income criteria.

Currently, there is no active Ordinance to support this process. The original Ordinance addressing Water/Sewer rebates was repealed in 2021.

Recommendation

Administration should draft an Ordinance addressing the Water/Sewer rebate.

If Administration does not draft an Ordinance, consideration should be taken to discontinuing the Water/Sewer rebates.

Administration's Response

We agree and will work with Public Works to draft an ordinance.

2. Business License Refund Weaknesses

Currently, there is no Ordinance that states that R&A must refund unused Business Licenses. For 2024 there were 3 requests for Business License refunds.

We reviewed the process and noted:

- R&A offers refunds of the \$35.00 Business License renewal to entities that did not conduct business within the calendar year.
- If an “out-of-city” business requests a refund, R&A will review EnerGov to verify if any permits were pulled.

This does not account for businesses that do not need permits to conduct business.

Recommendation

Administration should consider discontinuing the practice of refunds for unused Business Licenses.

If Administration continues to offer refunds for unused Business Licenses, they should determine a better way to verify if “out-of-city” businesses conducted business within the City in the calendar year.

Administration's Response

We agree to only process refunds for duplicate payments.

3. Water/Sewer Rebates Weaknesses

The Ordinance in effect in 2021 had the income threshold at \$8,000.00.

- Currently, R&A is using \$15,000 as the income threshold for the Water/Sewer Rebate.

The Ordinance in effect in 2021 stated:

“All bona fide residents of the City who are sixty-five (65) years of age or over or permanently disabled persons will be entitled to rebates from the minimum domestic water charge paid for their homesteads, in accordance with the schedule hereinafter set forth.”

The 2025 LCA rates are \$0.94 and \$0.27 respectively.

- Currently, R&A is using \$0.27 as the minimum domestic water charge for a 5/8 meter and \$0.09 as the daily domestic sewer charge for a 5/8 meter.

Recommendation

R&A should implement an income threshold that is reasonable.

The rebate should be based on the current water and sewer rates.

Administration's Response

We agree and will take under advisement with our response to weakness.

4. Garbage and Water/Sewer Occupant Income Verification Weakness

On the Garbage and Water/Sewer rebate application form, the form requires the applicant to report the income from all occupants of the home.

Income is not clearly defined in either the Ordinance or the Application.

When reviewing the rebate applications for residents, R&A must verify how many occupants are in a home to determine total income from all occupants.

Currently, R&A reviews the house deed to determine the owner(s) of the property and their income.

- If there are two people on the deed, R&A request income from both.

- If one property owner is deceased, R&A requests a death certificate or obituary.

These methods do not account for any other occupants in the home.

Recommendation

An attestation should be added to the application where the applicant lists the occupants of the home.

Administration should draft a clear definition of income to the Ordinance and application.

Administration should find an internal way to verify the occupants within a home and the income associated with each of them.

Administration's Response

We agree and will review/assess further.

5. Garbage and Water/Sewer Rebate Application Weaknesses

Although the income criteria for the Garbage Rebate and the Water Sewer Rebate is different, there is only one form that a resident must complete to apply for the rebate(s).

The income threshold for the Garbage Rebate follows the ordinance at \$34,450.00.

The income threshold that is currently used for the Water/Sewer Rebate is \$15,000.00. This does not follow the Ordinance repealed in 2021.

The form allows individuals to attach their PA 1000 State Property Tax Rebate as proof of income. The PA 1000 has different criteria for the rebate and calculates total household income differently. The income threshold for PA 1000 is \$46,520.00.

To calculate the total income made by the occupants in the home, the PA 1000 accounts for ½ of social security as income, not the full amount.

Applicants will often be eligible for the PA 1000 but not for the Garbage/Sewer Rebate and this creates confusion for rebate applicants.

Recommendation

The criteria for each rebate should be displayed on the form to avoid confusion of applicants.

If the applicant is allowed to attach the PA 1000 as proof of income, information about the difference in calculation and criteria for household income should be provided.

Administration's Response

We agree and will review/assess further.