



County of Ulster Property Tax Exemptions

Report of Examination

Period Covered:

January 1, 2015 – July 22, 2016

2016M-333



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

December 2016

Dear County Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and County Legislature governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the County of Ulster, entitled Property Tax Exemptions. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

Ulster County (County) is approximately 1,161 square miles, is composed of 20 towns, three villages and one city and has a population of approximately 182,000. The County is governed by the County Legislature (Legislature) which includes 23 elected legislators. The Legislature is responsible for making County appropriations and policy determinations. The County Executive (Executive) is the County's chief executive officer and is responsible for overseeing all County affairs. The Commissioner of Finance is appointed by the Executive and is the County's chief fiscal officer and the head of the County Department of Finance (Department). The Department is responsible for County moneys and accounting for receipts and expenditures. The Ulster County Real Property Tax Services Agency (Agency) is within the Department and is supervised by the Director of Real Property Tax Services (Director).

The primary functions of the Agency are to prepare and submit an annual report to the Executive and the Legislature, prorate the portion of taxes owed on properties that lost a prior exemption due to new ownership, correct errors on tax rolls and act as a resource for town assessors when preparing and maintaining property assessment rolls. The Agency is also responsible for maintaining exemption reference tables for municipalities in the County. These tables provide "sliding scale" income limits to determine the extent taxpayers can benefit from property tax exemptions based on income.

Objective

The objective of our audit was to assess the County's procedures for handling property tax exemptions. Our audit addressed the following related question:

- Are County officials properly prorating property tax exemptions on transfers of property, correcting property tax exemption errors and correctly inputting tax exemption income limits?

Scope and Methodology

We examined the County's property tax exemption procedures for the period January 1, 2015 through July 22, 2016.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire

population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

**Comments of Local
Officials**

The results of our audit have been discussed with County officials, and their comments, which appear in Appendix A, have been considered in preparing this report. County officials generally agreed with our report.

Property Tax Exemptions

The law requires the Department to ensure that whenever a new owner purchases a property and the new owner is not otherwise entitled to an exemption, the new owner is taxed pro rata for the unexpired portion of the fiscal year that the transfer of title occurred. The Department should also ensure that property tax exemptions that were granted to taxpayers but were not reflected properly on the tax rolls are corrected. The Agency should ensure that property tax exemption income limits are input accurately into the real property services software.

From January 1, 2015 through December 31, 2015,¹ County employees recalculated 272 nonexempt transfers of property and made 10 corrections of errors on the town property tax rolls. County employees also inputted property tax exemption income limits in 98 instances based on information from taxing units such as towns, villages, cities, school districts and libraries.

We re-calculated 50² nonexempt property transfers using independent data from the tax rolls and source documents and recalculated all 10 correction of error requests using supporting documents such as tax bills and the Director's recommendation letters. We also reviewed documentation for all 98 instances where property tax exemption income limits were input using the Agency's files for source documents, such as Board resolutions from the various towns. With the exception of immaterial variances that we discussed with County officials, the calculations for nonexempt property transfers and corrections of errors on the tax roll were correct. Except for three instances where we could not verify the resolutions and one immaterial difference that we discussed with County officials, all tax exemption income limits were accurately input into the real property services software.

The Department's procedures for prorating property tax exemptions on transfers of property, correcting property tax exemption errors and inputting tax exemption income limits were effective. Appropriate documentation was obtained and retained and income thresholds were properly recorded. We commend County officials for designing and implementing effective controls over property tax exemptions.

¹ The non-exempt transfers and income limits are in effect for the 2016 tax roll. The corrections of errors were in effect for the 2015 tax roll.

² We randomly selected 50 properties to test of the 272 non-exempt transfer of properties that occurred during our audit period.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

The local officials' response to this audit can be found on the following pages.

**ULSTER COUNTY DEPARTMENT OF FINANCE
REAL PROPERTY TAX SERVICE AGENCY**

**P.O. Box 1800, 244 Fair Street, Kingston, New York 12402
Telephone (845) 340-3490 Fax (845) 340-3499**

BURTON GULNICK, JR.
Commissioner of Finance



THOMAS JACKSON, CCD
*Director of Real Property Tax Service
Deputy Commissioner of Finance*

November 28, 2016

Tenneh Blamah, Chief Examiner
Newburgh Regional Office
Office of the State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, NY 12553-4725

Re: Audit Response to County of Ulster Property Tax Exemptions Report of Examination,
2016M-333

Dear Chief Examiner Blamah:

On behalf of County Executive Michael Hein, I want to thank you for the opportunity to comment on the New York State Comptroller's Property Tax Exemption Audit of Ulster County for the period covering January 1, 2015 – July 22, 2016. This document is intended to serve as our audit response. We are pleased that the audit report did not include any recommendations for corrective actions.

We agree with the findings of the audit and are gratified with its conclusion that with the exception of immaterial variances "the calculations for non-exempt property transfers and corrections of errors on the tax roll were correct" and that "all tax exemption income limits were accurately input into the real property services software".

We work hard to design and implement effective controls over property tax exemptions and we are pleased that the Report of Examination commends county officials for doing so. We welcome the review provided by this Report of Examination, as well as the informative discussions with OSC staff, as we always look for ways to improve operations.

Ulster County Website: www.ulstercountyny.gov

That said, the immaterial variances noted which were discussed with OSC staff have been reviewed and steps have been taken, such as the procedure for processing RPTL 520 Transfer of Exempt Real Property notices submitted by municipal assessors, which will be upgraded to include an independent verification of the calculation of the amount of municipal taxes for relevy purposes.

Further, we have obtained the three municipal exemption resolutions that were missing at the time of the audit. Those resolutions have been verified to conform to the exemption tables in the tax billing software for the 2016 tax roll. Our current procedure for administration of property tax exemptions includes the requirement that we obtain a certified copy of the municipal resolution or local law for all new and amended exemptions.

Once again, thank you for the positive review and opportunity to work together. Your time, thorough examination, and valuable insight are much appreciated.

Sincerely,

Burton Gulnick Jr.
Commissioner of Finance

Cc: Michael P. Hein, County Executive

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed County officials and staff members to obtain an understanding of the County's tax exemption procedures.
- We examined the Department's processes for prorating property tax exemptions on transfers of property, correcting property tax exemption errors and inputting tax exemption income limits.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

APPENDIX C

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