



Town of Ulster

Town Assessor

Report of Examination

Period Covered:

January 1, 2015 – August 25, 2016

2016M-361



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

January 2017

Dear Town 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 Town Board 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 Town of Ulster, entitled Town Assessor. 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 and recommendations 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

The Town of Ulster (Town) is located in Ulster County (County), covers approximately 27 square land miles and serves approximately 12,000 residents. The Town Board (Board) is the legislative body responsible for overseeing the Town's operations and is composed of the Supervisor and four Board members. The Board is responsible for the general management and control of the Town's financial affairs. The Board appoints the Town Tax Assessor (Assessor) who is responsible for establishing real property values so that school, county, town and special district taxes may be equitably apportioned among property owners. The Assessor is also responsible for granting real property tax exemptions authorized under State and local laws.

The Town provides various services to its residents and businesses, including street maintenance, snow removal, police, recreation and general government administration. The Town's 2016 budgeted appropriations were approximately \$15.9 million, funded primarily by real property taxes.

Objective

The objective of our audit was to review the Town's property tax exemption process. Our audit addressed the following related question:

- Did the Assessor properly grant and monitor property tax exemptions?

Scope and Methodology

We examined the Town's property tax exemption process for the period January 1, 2015 through August 25, 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 C 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 Town Officials and Corrective Action

The results of our audit and recommendations have been discussed with Town officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Town officials generally agreed with our recommendations and indicated they would take corrective action. Appendix B includes our comment on the issue raised in the Town's response letter.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make this plan available for public review in the Clerk's office.

Town Assessor

The Assessor grants real property tax exemptions authorized under State and local laws, such as partial tax exemptions for veterans, agriculture, senior citizens, physically disabled people with limited income and business incentives. New York State Real Property Tax Law (RPTL) mandates that certain tax exemptions be granted only after a valid application with proper documentation is submitted and approved by the Assessor. When an individual purchases a property that holds an exemption, the Assessor must file a Transfer of Exempt Real Property form (RP-520/551) with Ulster County to ensure the new owner is billed for the prorated share of taxes.

The Assessor did not properly grant and monitor property tax exemptions. As a result, property tax reductions totaling \$13,176 were granted to the owners of four properties that were not supported with documentation. Additionally, the Assessor did not properly file RP-520/521 forms for four of eight new property owners who received property tax reductions to which they were not entitled. As a result, there is an increased risk that other property owners may be paying more or less property taxes than they should.

Exemptions

The Assessor is responsible for granting and monitoring property tax exemptions for residential and nonresidential properties to ensure they are granted only after a valid application with proper documentation is submitted and approved. The Assessor should verify that exemption codes and amounts are properly entered into the Real Property System (RPS) and that adequate supporting documentation is on file for exemptions to reduce the risk that property owners could receive exemptions to which they are not entitled.

According to the Assessor, once property exemptions are approved, with the proper supporting documentation and entered into the RPS software system, they are not reviewed. The Assessor told us he has been at the Town for nearly 20 years but has not verified whether supporting documentation is maintained for exemptions that were granted prior to his appointment as Assessor.

We reviewed 69 randomly selected properties with assessment values totaling \$26,821,756 that were granted property tax exemptions totaling \$16,315,787 for 2016 and determined four properties (5.8 percent) with assessment values totaling \$1,668,100 had exemptions totaling \$1,665,850 did not have proper documentation. For example, three had no written evidence of their eligibility to qualify for the exemptions.

As a result, Town officials have no assurance that the unsupported property tax reductions totaling \$13,176 (based on 2016 real property tax rates) were valid for the four properties, and there is an increased risk that other property owners may be paying more or less property taxes than they should.

Exempt Property Transfers

According to RPTL, when a property that holds an exemption is sold, the Assessor must file an RP-520/551 with Ulster County to ensure the new owner is billed for the prorated share of taxes for any fiscal year in which the transfer of title occurred.

We randomly selected eight¹ of the 56 properties that were transferred in 2015 that had property tax exemptions. The Assessor did not file an RP-520/551 for four of these transfers. Two properties were owned by Ulster County prior to transfer. The Assessor believed the prorated portions of taxes were processed by the County, but County officials told us this type of transaction is not processed by the County and should be processed by the local Assessor. Two properties had exemptions that were removed from RPS prior to transfers. Because the Assessor did not refer to prior year data, the Assessor overlooked the exemptions and did not file the forms. As a result, tax revenues for four properties totaling \$688 were absorbed by other taxpayers.

Recommendations

The Assessor should:

1. Review all property tax exemptions on an annual basis to verify that proper documentation is maintained.
2. Refer to the prior year data to determine if RP520/521s should be filed.
3. File the RP520/521s for the four properties with exemptions that were transferred in 2015 to recover the prorated portion of 2015 taxes.

¹ A total of 63 properties were transferred in 2015 that had property tax exemptions. We originally selected 15 properties; however, seven properties had exemptions that still applied after the transfers: for example, properties transferred to related parties that were still entitled to exemptions, properties exempted under payment in lieu of taxes (PILOT) agreements, properties with exemptions that were renewed upon the transfers or properties that did not have true exemptions but rather had system codes used for RPS calculations.

APPENDIX A

RESPONSE FROM TOWN OFFICIALS

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

Town of Ulster

James E. Quigley, 3rd
Supervisor

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December 22, 2016

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Ref: Report of Examination, Town of Ulster Town Assessor, Report Number 2016M-361

Dear Ms. Blamah,

This comment letter is being provided to fulfill the OSC requirements for the Town to respond to an OSC Audit Report. The comments contained herein are limited to the draft written audit report provided to the Town by e-mail on November 30, 2016 as modified by the e-mails of December 9, December 15 and December 20, 2016 and the matters discussed during the exit interview conducted on December 9, 2016 by OSC Staff and the Town of Ulster Town Supervisor and Assessor.

The Town of Ulster agrees with the findings and recommendations presented in the Draft Audit Report as modified and presents below the Corrective Action Plan taking into consideration the Draft Audit Report findings. The Town disagrees with some of the conclusions drawn from the audit findings as follows:

Comments:

The Town acknowledges that OCS must objectively evaluate and report on the audit findings in accordance with the standards being applied. The Town does not dispute the statement that "four properties with assessments totaling \$1,668,100 had exemptions totaling \$1,665,850 did not have proper documentation". The Town acknowledges that applications for three properties subject to exemption under RPTL Section 420-a (aggregating \$1,665,800 out of a total \$1,665,850) could not be located at the time of the audit and that the alternate method of substantiating the exemption, a written certification by the assessor was not in the file. The fourth property had an unsubstantiated tax exemption of \$50 and represents as loss in revenue to the Town of less than one dollar.

The Town disagrees with the conclusion "As a result, Town officials have no assurance that the unsupported property tax reductions ... may be paying more or less property taxes than they should". The three properties identified are owned by nationally and state based recognized Non-Profit Organizations that are classified as mandatory under Section 420-a and would be recognized by any taxpayer as Tax Exempt.

See
Note 1
Page 9

"BUSINESS HUB OF ULSTER COUNTY"

Corrective actions are proposed under Recommendations paragraph 1.

Recommendations:

1. Review all property tax exemptions on an annual basis to verify that proper documentation is maintained.

Action Plan:

The Town has 58 parcels with RPTL 420 exemptions requiring an initial application for Exemption. The file maintained for each of these parcels will be reviewed to make sure that the initial application is on file, absent an application, a request will be made of the property owner to file a new one. For the three properties identified during the audit as not having an initial application of file, letters have sent requesting new applications. In addition, the Town is searching other archive locations for files (which predate the term of the current Assessor) that may contain these documents.

The results of this review, which will be completed by the Assessor's Office staff and reviewed by the Supervisor prior to March 1, 2017, will be recorded, and form the basis for a database which will be maintained and consulted on an annual basis to insure compliance.

2. Refer to the prior year data to determine if RP520/521 should be filed.

Action Plan:

Effective immediately, the Assessor's staff will review all transfers against prior year records to determine if RP520/521 are required to be filed. In addition, all transfer related to the transfer of properties from Ulster County will have a RP520/521 filed.

3. File RP520/521's for the four properties with exemptions that were transferred in 2015 to recover the pro-rated portion of 2015 taxes.

Action Plan:

The forms have been filed and the corrections will appear on the 2017 tax role.

The Town wishes to acknowledge the professionalism of the OSC staff in the completion of this Audit.

 Very truly yours,

James E. Quigley 3rd, CPA
Supervisor

APPENDIX B

OSC COMMENT ON THE OFFICIALS' RESPONSE

Note 1

Although the three properties may have been eligible for exemptions if the property owners had submitted valid applications with proper documentation, there was no written evidence that this occurred. Also, because we tested only a sample of properties (5 percent of each type of exemption offered by the Town), there may be other properties that do not have the necessary documentation on file. The failure to ensure that property tax reductions are valid increases the risk that property owners may be paying more or less property taxes than they should.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed Town officials to gain an understanding of the Town's property tax exemption process.
- We reviewed Town laws and resolutions to determine if the types of property tax exemptions on the assessment roll were authorized.
- We randomly selected 69 properties to determine if the property tax exemptions had accurate codes, accurate amounts and proper documentation.
- We randomly selected eight of the 56 properties that transferred ownership in 2015 and had exemptions in the 2015 tax year. We determined if RP-520/551 forms were properly filed.

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 D

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