

Town of Greenville

Tax Collector

OCTOBER 2020



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Audit Objective

Determine whether the Tax Collector properly recorded, deposited and remitted money in a timely manner.

Key Findings

The Tax Collector did not properly record or remit money in a timely manner. The Tax Collector’s records were insufficient to determine whether she deposited money in a timely manner.

- Property tax collections totaling \$5.4 million and penalties collected totaling \$9,719 were not remitted in accordance with New York State Town Law (Town Law).
- The Tax Collector’s records included an unidentified bank balance of \$4,637 as of January 1, 2018 and \$17,068 as of December 4, 2019.

Key Recommendations

- Remit amounts collected to the Town Supervisor and County Treasurer in accordance with Town Law.
- Identify the unidentified outstanding bank balance, properly account for all money received, and ensure that all collections are remitted to appropriate parties.
- Retain all supporting documentation for payments received and deposit all cash receipts as soon as reasonably possible and in accordance with limits established by Town Law.

Town officials generally agreed with our findings and indicated they plan to initiate corrective action.

Background

The Town of Greenville is located in Orange County. It is governed by an elected Board, which is composed of the Town Supervisor (Supervisor) and four Board members. The Board is responsible for the general management and control of the Town’s financial operations, including an annual audit of the Town Tax Collector’s (Collector’s) cash collection activities.

The Collector is elected and serves two-year terms. The Collector is responsible for the collection of Town and County real property taxes and remitting taxes collected to the Supervisor and County Treasurer (Treasurer).

Quick Facts

| Real Property Taxes Remitted | |
|--|----------------|
| 2018 Calendar Year | \$2.97 million |
| 2019 Calendar Year | \$3.26 million |
| Total Penalty Fees Collected During Audit Period | \$9,719 |
| Population | 4,616 |

Audit Period

January 1, 2018 – December 31, 2019

Tax Collector

How Should the Tax Collector Record, Deposit and Remit Money Collected?

The tax collector (collector) is accountable for all money collected. Further, the collector is responsible for maintaining accurate and complete records and reports, timely depositing all collections, disbursing tax collections to appropriate parties and preparing periodic bank reconciliations. New York State Town Law (Town Law)¹ requires the collector to deposit all real property tax money collected within 24 hours of receipt. All collections must be paid (remitted) to the supervisor at least once each week until the town's share of taxes is paid in full. The remaining collections must then be paid to the treasurer no later than the 15th day of each month following the date of receipt.

The collector should, at the end of the tax collection period, remit any remaining collections of penalties, banking interest or mailing fees to the supervisor and be left with a bank account showing no balance. The collector should preserve all supporting documentation for payments received, including bank statements, canceled checks, duplicate bank deposit slips, mailing envelopes and the cashbook.

Town Law requires the collector to submit a monthly report of all tax collections received to the supervisor² and the board to annually audit the records and reports of any town officer or employee who received and remitted money on behalf of the Town in the preceding year, or to hire a certified public accountant or public accountant for that purpose.³ The purpose of this annual audit is to help provide assurance that public money is handled properly (i.e., deposited in a timely manner and accurately recorded and accounted for), identify conditions that need improvement and provide oversight of the town's financial operations.

The Tax Collector Did Not Properly Account for All Money Collected

The Collector did not properly account for all money collected. As a result, as of January 1, 2018, the Collector had an unidentified bank balance from prior years totaling \$4,637. Additionally, at the start of our fieldwork in December 2019, the Collector was carrying a bank balance of \$17,068. We determined that the increase consisted of unremitted penalties, mailing fees and banking interest, as well as duplicate payments and overpayments received, but not returned to taxpayers. The Collector believed that most of the outstanding balance prior to January 1, 2018 consisted of unremitted mailing fees and banking interest, but she was not certain about what made up the rest of the balance.

As of January 1, 2018, the Collector had an unidentified bank balance from prior years totaling \$4,637.

1 New York State Town Law (Town Law) Section 35

2 Town Law Section 27

3 Town Law Section 123

The Collector had not remitted collections of penalties associated with late tax payments to the Supervisor. The Collector collected \$9,719⁴ in penalties during the audit period but did not remit any of the penalties collected until we addressed this at the start of fieldwork. The Collector then remitted both the 2018 and 2019 penalties in their entirety to the Supervisor in December 2019. The Collector indicated that she was aware that penalties collected were supposed to be remitted to the Supervisor, but that she did not have the time to write the checks to the Supervisor during the 2018 and 2019 collection periods.

In addition, during the audit period, the Collector did not remit mailing fees or banking interest totaling \$699. However, the Collector indicated that she had never remitted any mailing fees or banking interest collected since she was first elected to the position in 2009. The Collector indicated that when she was trained by the previous Collector, she was never told that she had to remit the mailing fees or banking interest. The Collector added that because no one asked her for these fees or interest, she did not know that they had to be remitted.

Further, during the audit period, the Collector accepted and recorded overpayments and duplicate payments totaling \$5,682 but did not refund \$1,926 of these payments.

Although the Collector indicated she prepared bank reconciliations when requested she was only able to provide a reconciliation for one month out of the 24-month audit period. Further, the reconciliation provided was inadequate because it did not identify or reconcile any variance between the book balance in the Collector's financial application and her bank account. The preparation of adequate bank reconciliations on a monthly basis would have helped the Collector properly account for all money collected and avoid accumulating an unidentified bank balance.

Real Property Tax Collections Were Not Remitted in a Timely Manner

We reviewed the Collector's real property tax records to determine whether the Collector remitted all applicable receipts to the Supervisor and Treasurer in a timely manner. During the audit period, the Collector collected Town and County taxes totaling \$6.23 million. We found that the Collector did not always remit collections to the Supervisor in a timely manner as required by Town Law.

For example, while the Collector collected Town and County taxes totaling about \$2.5 million during the first five weeks of January 2018, all but \$150,939 was remitted to the Supervisor and Treasurer in the sixth week of collections – instead of remitting weekly as required by Town law. The Collector continued to collect

The Collector had not remitted collections of penalties associated with late tax payments to the Supervisor.

The Collector did not always remit collections to the Supervisor in a timely manner as required by Town Law.

⁴ Penalties consisted of \$5,014 collected in 2018 and \$4,705 collected in 2019 for each respective collection period.

taxes and make timely remittances of the remaining balances to the Treasurer until the collection period ceased April 1, 2018.

Similarly, in 2019 the Collector collected Town and County taxes totaling about \$2.9 million during the first five weeks of the collection period; all but \$162,818 was remitted to the Supervisor and Treasurer in the sixth week of collections – instead of making weekly remittances as required by Town law. Again, the Collector continued to collect taxes and make timely remittances of the remaining balances to the Treasurer until the collection period ceased April 1, 2019.

The Collector was unaware of the remittance requirements outlined in Town Law. Because she did not receive any formal training regarding Collector responsibilities, she followed the same pattern of remittance as the previous Collector. As a result, the Collector’s remittances were not made in a timely manner. The longer money remains unremitted, the less cash flow Town and County officials have to effectively fund operations, and the greater the risk of money being lost or misappropriated.

The Collector was unaware of the remittance requirements outlined in Town Law.

Deposits May Not Have Been Made in a Timely Manner

The Collector may not have deposited collections in a timely manner. During the audit period, the Collector received and deposited 3,828 real property tax payments totaling \$6,237,642. We reviewed 333 real property tax payments and corresponding deposits, totaling \$514,292, to determine whether deposits were made in a timely manner.

The Collector indicated that when she receives payments, she stamps the tax bill stub indicating the date received, regardless whether the payment was received in person or by mail. The Collector also indicated that, in the case of mailed payments, the date a payment is marked “paid” in the financial system may represent the date that a payment was post marked and not the actual date received to avoid the assessment of unwarranted penalties. However, the Collector did not retain any envelopes for mailed payments as documentation to support dates entered into the financial system. Further, it was not until we discussed the lack of timely deposits with her at the conclusion of audit testing that the Collector mentioned the possibility of differing dates due to postmarks.

Our testing was designed based on the Collector’s representation of how she processes payments. As a result, with no evidence of alternative dates, we compared the date received per the tax bill stubs to the date of deposit. We found that, during the 2018 and 2019 tax collection periods, 177 transactions totaling \$203,299 were deposited between one and eight days late. However, all deposits tested were made intact.

The Collector said that daily deposits were not possible or feasible, lending further evidence to suggest that deposits were not made in a timely manner. When deposits are not made in a timely manner, there is an increased risk of receipts being lost or stolen.

The Collector Did Not Prepare Interim Reports

The Collector did not provide interim financial reports to the Supervisor, as required by Town Law.⁵ The Collector indicated that she has only provided her annual settlement statements to the Board for the past two collection years. The Supervisor indicated that he receives interim reports from all Town departments except the Collector. Despite this, neither the Supervisor nor any Board members requested interim reports from the Collector. The Collector indicated that she was not aware of her requirement to submit interim financial reports to the Supervisor. Further, the Collector indicated that she has never had the Supervisor request reports from her. According to the Supervisor, Board members have not used the settlement statements received to perform an annual accountability. In addition to not being in compliance with Town Law, the Collector's failure to provide interim reports to the Board prevented Board members from effectively monitoring the Collector's functions.

Neither the Supervisor nor any Board members requested interim reports from the Collector.

The Board Did Not Perform an Annual Audit

Members of the Board did not perform an annual accounting of the Collector's records or provide for an audit, as required by Town Law.⁶ The Supervisor indicated that he was unaware that the Board was legally required to perform an annual accountability of the Collector's records. Had the Board completed annual audits of the Collector's records, it would have determined that monthly bank reconciliations and accountabilities were not completed, reports were not provided, and penalties and other fees collected were not remitted.

What Do We Recommend?

The Collector should:

1. Identify any unidentified outstanding bank balance, properly account for all money received, and ensure that all collections are remitted to appropriate parties.
2. Prepare monthly formal bank reconciliations which reconcile the Collector's bank balance to transactions entered in the Collector's financial application.

⁵ Town Law Section 27

⁶ Town Law Section 123

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3. Remit amounts collected to the Supervisor and Treasurer in accordance with Town Law.
 4. Retain all supporting documentation for payments received and deposit all cash receipts as soon as reasonably possible and in accordance with limits established by Town Law.
 5. Prepare interim financial reports as required by Town Law and submit them to the Board for review.

The Board should:

6. Ensure that the Collector receives formal training on her duties.
7. Periodically monitor the Collector's function through review of interim financial reports provided by the Collector.
8. Annually audit, or cause to be audited, the Collector's books, records and documents.

Appendix A: Response From Town Officials



TOWN OF GREENVILLE DAVID ZUBIKOWSKI SUPERVISOR

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August 24, 2020

Below you will find the Town of Greenville's audit responses and corrective action plans.

Tax Collector's records were insufficient to determine whether she deposited money in a timely manner:

The tax collector's position is part time January-March (in the office several days a week) and weather permitting.

As the Town is located in New York, and the tax collection period is January-March, there may be times where the deposits were delayed due to inclement weather/hazardous road conditions.

All mail received by the town currently gets date stamped by the senior secretary on the day it which it comes in and is placed in the tax collector's mailbox. If the tax collector is not scheduled to work on the day that the mail was stamped and placed in her mailbox, this could account for the appearance of an untimely deposit.

Going forward, to ensure the entry and depositing of timely payments, each payment envelope will be stamped by the tax collector on the day in which she physically receives it, the payment will be entered on this date, and all envelopes will be retained with each payment to identify the postmark.

A courier will be made available to assist with making timely deposits.

As the Town Supervisor, I will assist the tax collector in any way possible to see that the deposits are made in a 24-hour period of time.

Check remittance to Supervisor:

In the past, checks were remitted to the supervisor by fund (General and Highway) when the total budgeted amount for each fund was collected and cleared in the tax account.

Per town law, future monies will be remitted to the supervisor on a weekly basis.

Unidentified Bank Balance of \$17,068:

The outstanding bank balance included monies for penalties, bank interest, second notice fees and overpayments.

To date, all monies have been identified and disbursed.

All future penalties, bank interest and second notice fees will be paid to the supervisor within the tax collection period.

As of April 15th, our tax account balance is \$0.

Annual Audit and Reports:

An annual audit will be conducted by the Town of Greenville's appointed independent auditor. The tax collector will provide a monthly collection report during her collection period for review by the Supervisor and his board.

As of January 2020, at the end of every month the tax collector's monthly report has been submitted to me in a timely fashion.

Please contact me if any more information is needed.

Best Regards,

David Zubikowski
Town Supervisor

Appendix B: Audit Methodology and Standards

We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed the Collector and Town officials to gain an understanding of internal controls over collecting, recording, depositing, remitting and reconciling money collected by the Collector, and to determine whether policies and procedures were in place for Collector operations.
- We reviewed Board minutes and annual reports provided to Board members to determine the extent of financial information received by the Board.
- We compared the warrant report from the Collector's system to the Town tax rolls to determine whether all taxable properties were included in the Collector's system.
- We performed a high-level accountability analysis to determine whether all tax bills and fees for which the Collector was accountable were properly collected or remitted to appropriate parties and those bills remaining unpaid were properly re-levied.
- We determined whether the Collector remitted all real property tax collections to the Supervisor and Treasurer in a timely manner for the 2018 and 2019 tax collection periods by comparing disbursements from bank statement activity and checks to transactions in the financial software.
- We compared the total unpaid taxes from the Collector's system to County settlement statements to determine the accuracy of the Collector's records. In addition, we used our professional judgment to select a sample of tax bills marked as not paid in the Collector's system and traced those bills to the re-levy reports.
- We used our professional judgment and selected a sample of four batches from the financial software comprised of 113 tax payments; 27 payments of which were marked received during penalty periods. In addition, we reviewed all 67 cash payments, 24 of which were marked received during penalty periods, and 153 payments associated with Town officials and employees, four of which were marked received during penalty periods. We compared fees assessed by the Collector to examiner-recalculated fees to determine whether fees were properly assessed. We also traced each transaction to the source document (tax bill stub), check, deposit slip, deposit receipt and bank statement to determine whether they were deposited timely and intact.
- We selected all cash payments of tax bills for review. We also selected all tax payments made by Town officials and employees by comparing the Town's employee master list to all tax bills on the tax roll, and selecting all instances of a tax bill in the name of a Town official or employee. We traced each

transaction to the tax bill, check (if applicable), deposit slip, deposit receipt and bank statement to determine whether they were deposited timely and intact.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). 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.

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.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided 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 the CAP available for public review in the Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263196&issued=All

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263206&issued=All

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263211&issued=All

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/local-government/academy

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