

# Beaver River Central School District

## Collection of Real Property Taxes and Retiree Health Insurance Contributions

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OCTOBER 2021

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

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# Report Highlights

## Beaver River Central School District

### Audit Objective

Determine whether Beaver River Central School District (District) officials ensured that real property taxes and retiree health insurance contributions were properly collected, recorded and deposited.

### Key Findings

The real property tax collections and retiree health insurance contributions we reviewed were properly collected, recorded and deposited. However, District officials did not adequately segregate the duties of or establish adequate compensating controls over a senior account clerk/tax collector (clerk) who is responsible for receiving, recording, depositing and reporting all money collected for real property taxes and retiree health insurance contributions.

Although our testing did not identify discrepancies, when officials do not provide oversight of employees who handle funds, there is an increased risk that errors or irregularities could occur and not be detected in a timely manner.

### Key Recommendation

- Adequately segregate the duties of or establish adequate compensating controls over the clerk.

District officials generally agreed with our recommendations and have initiated or indicated they planned to initiate corrective action.

### Background

The District, located in the Towns of Croghan, New Bremen and Watson in Lewis County (County), is governed by the Board of Education (Board), which includes seven elected members. The Board is responsible for the general management and control of financial and educational affairs.

The Superintendent of Schools is the District's chief executive officer responsible, along with other administrative staff, for day-to-day management under the Board's direction. The Business Official oversees business operations.

#### 2020- 21 Quick Facts

##### Real Property Taxes

Real Property Tax Warrant<sup>a</sup> \$5.6 million

Reviewed \$3.0 million

##### Retiree Health Insurance

Retirees Receiving Coverage 124

Contributions Reviewed 15

Costs Billed \$216,000

Costs Reviewed \$29,800

a) Includes a \$70,000 library tax levy

### Audit Period

July 1, 2019 – December 31, 2020

We extended our audit period forward to March 8, 2021 to review uncollected real property taxes.

# Collection of Real Property Taxes and Retiree Health Insurance Contributions

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## How Can Officials Effectively Collect Real Property Taxes and Retiree Health Insurance Contributions?

District officials are responsible for establishing internal controls to ensure that real property taxes and retiree health insurance contributions are adequately safeguarded. An effective collection process provides reasonable assurance that all funds received by a district are deposited into a district bank account in a timely manner and properly recorded. District officials should segregate duties so that no one individual controls all phases of a transaction, i.e., collecting, depositing and recording payments. When it is not practical to segregate duties, officials should institute compensating controls, such as proper supervisory review to mitigate the potential risk of errors or theft of these funds.

In addition, an effective collection process requires maintaining complete and accurate records, retaining documents to support money collected, and promptly depositing money received in the bank and reconciling with the records. To help ensure that money is properly accounted for, the employee receiving funds should issue duplicate press-numbered cash receipts for money collected, when there is no other evidence to document the collection (e.g., tax remittance stubs).

A copy of all press-numbered receipts should be retained, along with other adequate supporting documentation to ensure transactions can be traced from the point of collection to the accounting records, and funds are deposited timely and intact in the same amount and form as received (i.e., cash, check or money order).

## Officials Should Segregate the Duties of, or Establish Compensating Controls Over, the Clerk Who Collects Real Property Taxes and Health Insurance Contributions

Real Property Taxes – The clerk was responsible for receiving, recording and depositing real property tax payments. The clerk reconciled the paid and unpaid taxes at the end of the collection period and prepared a collector’s worksheet for the Board along with the list of unpaid taxes. Although another employee prepared bank reconciliations for the tax collection bank account, officials did not review the clerk’s daily collection records and deposits to verify all money received was deposited timely and intact, including applicable interest and penalties.

We reviewed a sample of 2020-21 real property tax receipts totaling about \$3 million,<sup>1</sup> and found the clerk deposited these collections timely and intact. Also, we reviewed the clerk’s year-end reconciliation and collector’s worksheet and verified all money collected for 2020-21 totaling \$5.6 million was deposited and properly recorded in the accounting records.

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... [O]fficials did not review the clerk’s daily collection records and deposits to verify all money received was deposited timely and intact. ...

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<sup>1</sup> Refer to Appendix B for information on our sampling methodology.

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Retirees' Health Insurance Contributions – The District offers health insurance to retired employees and their eligible dependents but bills retirees for these benefits. The clerk received retiree payments, entered the receipt information into the accounting system, made the bank deposits and adjusted retiree health insurance contribution amounts due for changes in coverage status (e.g., a retiree terminated coverage, or a covered individual died). Although the clerk processes all phases of these transactions, District officials did not review her work or establish other compensating controls to mitigate the risks associated with the lack of segregated duties.

We reviewed payments received from 15 of the 124 retirees who had health insurance coverage during 2020-21 and the respective bills prepared by the clerk totaling \$29,800 for accuracy. We found all 15 were accurately billed.

Additionally, we determined that the clerk deposited contributions timely and intact and recorded them in the accounting system in a timely and accurate manner.

While our testing did not reveal any discrepancies, when District officials do not segregate job responsibilities or provide sufficient oversight of employees who handle funds, there is an increased risk that errors or irregularities could occur and not be detected in a timely manner.

### **What Do We Recommend?**

The Board and District officials should:

1. Segregate job responsibilities or establish compensating controls over the collection of real property taxes and health insurance contributions.

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... [T]he clerk deposited contributions timely and intact and recorded them in the accounting system in a timely and accurate manner.

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# Appendix A: Response From District Officials



Beaver River Central School serves as a center for education in dynamic partnership with students, staff, parents, and community to provide each student the opportunity to achieve maximum potential in all areas of life

**Todd Green**  
Superintendent of Schools

**Kimberly Lyman-Wright**  
Elementary School Principal

**Daniel Rains**  
Middle/High School Principal

**Troy Hebert**  
Middle/High School Assistant Principal

October 6, 2021

Rebecca Wilcox – Chief Examiner  
Office of the State Comptroller  
State Office Building, Room 409  
333 E. Washington Street  
Syracuse, NY 13202-1428

**Re: Letter of Response / CAP for Report of Examination 2021M-123**

The Beaver River Central School District has received and reviewed the audit report on the Collection of Real Property Taxes and Retiree Health Insurance Contributions. We were very pleased to see that your findings revealed that the tax collections and the retiree contributions were “properly collected, recorded, and deposited.” While the audit revealed no discrepancies, your report also noted that we should implement additional policies and procedures to prevent errors or irregularities.

We agree with that recommendation, and will immediately begin additional steps in the process to establish adequate controls over both of these processes. Please accept this written response as the *Corrective Action Plan* for Beaver River Central School District. Listed below are the new protocols that have been implemented (effective 10/1/21) within our Business Office.

- Tax records will be reconciled with bank deposits on a daily basis.
- Tax records and bank deposits will be reconciled by the District Treasurer.
- The Business Official will review all bills before they are sent to retirees.
- The Account Clerk will record the health insurance contributions received on a spreadsheet which will be reviewed by the Business Official.
- At the end of each year, the Account Clerk and the Business Official will compare the funds collected with the insurance premiums paid to ensure that they reconcile.

We are confident that these additional procedures will provide the internal controls and fiscal oversight to continue the accurate collection of property taxes and retiree health insurance contributions.

Respectfully,

Todd Green  
Superintendent

Samuel Chamberlain  
Board of Education President

P.O. Box 179, 9508 Artz Road | Beaver Falls, New York 13305-0179 | Phone: (315) 346-1211 | Fax: (315) 346-6775

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## Appendix B: Audit Methodology and Standards

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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 District officials to gain an understanding of the procedures for billing, collecting, recording and depositing real property taxes and retiree health insurance contributions and any related oversight procedures.
- We reviewed the 2020-21 tax warrant, approved by the Board, totaling \$5.6 million and the amount collected by the clerk to determine whether the real property taxes collected were recorded in the accounting records and deposited in the bank in a timely manner. In addition, we reviewed unpaid real property taxes collected by the County, payments received from the County on State owned lands and School Tax Relief reimbursement received from the State to determine whether all money received was accurately recorded and deposited.
- We verified the amount of interest and penalties collected by the clerk during the collection period for the most recently completed year (2020-21). We compared the penalties and interest on real property tax bills paid in October and the interest and penalties received from the County in March 2021 with the accounting records and the deposits shown on the bank statements to determine whether the amounts collected were accurately calculated and recorded and deposited in a timely manner.
- We reviewed all real property tax bills collected by the tax collector in September and October 2020 totaling \$3 million from the 2020-21 tax warrant. We reviewed these payments to determine whether they were properly recorded and deposited in a timely and intact manner.
- We performed a summary level analysis comparing the 2019-20 tax warrant to the recorded revenues and reviewed the clerk's worksheet and settlement with the County for the 2019-20 real property taxes.
- We used our professional judgement to select a sample of 15 retirees who were billed for health insurance for 2020-21. We selected every eighth retiree from a list of 124 retirees for our sample of 15 retirees (12 percent). We compared the annual amount these 15 retirees were billed to the District's insurance bill and the retirees' payments to determine whether their contributions were properly recorded and deposited in a timely and intact manner.

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

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.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the recommendation in this report must be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law, Section 2116-1(3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the fiscal year. 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. The CAP should be posted on the District's website for public review.



## Appendix C: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf](http://www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf)

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

[www.osc.state.ny.us/local-government/publications](http://www.osc.state.ny.us/local-government/publications)

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

[www.osc.state.ny.us/local-government/fiscal-monitoring](http://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](http://www.osc.state.ny.us/local-government/publications)

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

[www.osc.state.ny.us/local-government/resources/planning-resources](http://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/files/local-government/publications/pdf/cyber-security-guide.pdf](http://www.osc.state.ny.us/files/local-government/publications/pdf/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](http://www.osc.state.ny.us/local-government/required-reporting)

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[www.osc.state.ny.us/local-government/academy](http://www.osc.state.ny.us/local-government/academy)

## Contact

Office of the New York State Comptroller  
Division of Local Government and School Accountability  
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: [localgov@osc.ny.gov](mailto:localgov@osc.ny.gov)

[www.osc.state.ny.us/local-government](http://www.osc.state.ny.us/local-government)

Local Government and School Accountability Help Line: (866) 321-8503

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**SYRACUSE REGIONAL OFFICE** – Rebecca Wilcox, Chief Examiner

State Office Building, Room 409 • 333 E. Washington Street • Syracuse, New York 13202-1428

Tel (315) 428-4192 • Fax (315) 426-2119 • Email: [Muni-Syracuse@osc.ny.gov](mailto:Muni-Syracuse@osc.ny.gov)

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