

Town of Centerville

Town Clerk/Tax Collector

AUGUST 2021



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

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Report Highlights

Town of Centerville

Audit Objective

Determine whether the Town of Centerville (Town) Town Clerk (Clerk) properly recorded, deposited, remitted and reported collections.

Key Findings

Although the Clerk recorded, deposited, remitted and reported all tax collections, she did not always record dates of receipts or deposit or remit payments timely.

The Clerk did not:

- Properly record dates of collections for Clerk fees on 21 of 29 daily collections totaling \$438 (64 percent).
- Deposit all tax collections within 24 hours as required.
- Remit real property tax collections to the Town Supervisor (Supervisor) or the County Treasurer (Treasurer) in a timely manner.

Key Recommendations

The Clerk should:

- Maintain accounting records that properly document dates of collection.
- Deposit all collections within the required timeframe or as soon as possible.
- Remit all real property tax collections, including interest and penalties, to the Supervisor and Treasurer within the required timeframe.

Town officials agreed with our findings and recommendations and indicated that they plan to take corrective action.

Background

The Town is located in Allegany County (County) and is governed by an elected five-member Board including the Supervisor. The Board is responsible for the general oversight and management of operations, including oversight of the elected Clerk.

The Clerk collects fees for a variety of purposes, including licenses and permits issued and vital records. Generally, all fees received by the Clerk are the property of the Town, County or State and must be promptly remitted to the appropriate entities.

The Clerk, who also serves as the tax collector, is also responsible for collecting and remitting real property taxes to the Supervisor and Treasurer.

Quick Facts

| | |
|-------------------------------|-----------|
| Clerk Tenure | 1.5 Years |
| 2020 Town Real Property Taxes | \$491,970 |
| 2020 Clerk Fees | \$689 |
| Population | 822 |

Audit Period

January 1, 2020 – April 2, 2021

Town Clerk/Tax Collector

How Should a Clerk Properly Account for and Remit Collections?

A clerk must properly account for all transactions by promptly and accurately recording the daily amounts collected in a cash receipts journal, depositing receipts intact (in the same amount and form – cash or check – as received), remitting money to the appropriate parties and accurately reporting amounts collected to the board.

A clerk should issue and retain a receipt for each collection made, including tax collections. These receipts should be in duplicate format, prenumbered and include adequate information to identify who made the payment, who collected it, the form of payment (cash or check) and the date payment was received. For tax collection, tax bills can serve as receipts because they are prenumbered, come in two parts (the collector's portion, commonly referred to as the receiver's stub, and the customer portion) and adequately satisfy the requirements for issuing a receipt, if they are completed properly and retained.

New York State Town Law (Town Law) requires the clerk to deposit all fees collected within three business days after total collections exceed \$250 and to remit such money to the supervisor and other agencies by the 15th day of the following month. While the statutory deadline is the latest point in time at which a deposit may be made, from an internal control perspective, the best approach is to deposit funds as soon as possible. The longer money remains undeposited, the greater the risk that loss or theft can occur.

Town Law also requires the clerk, as tax collector, to deposit all real property taxes collected within 24 hours of receipt and remit amounts collected, including any interest and penalties, to the supervisor at least once a week. Once the town's tax levy has been collected in full, tax collections must be remitted to the treasurer no later than the 15th day of the ensuing month. At the end of the collection period, the clerk is required to settle with the treasurer and must account for the taxes collected, amounts remitted to the supervisor and treasurer, any adjustments to the tax roll and the taxes that remain unpaid.

The Clerk Did Not Properly Account for or Remit Real Property Tax Collections

We reviewed all 521 recorded tax collections for the 2020 tax year, totaling \$827,874,¹ and found that while the Clerk recorded, deposited, remitted and reported all tax collections, adequate receipts were not always completed, collections were not deposited within 24 hours, and payments to the Supervisor and Treasurer were not made in a timely manner.

¹ \$827,874 includes the total amount of real property taxes collected by the Clerk for both the Town and County as well as interest and penalties.

Of the 521 tax collections, 118 (23 percent), totaling approximately \$206,000, were not appropriately date-stamped indicating when collections were received, and therefore the dates of collections could not be determined. Of the remaining 403 that were date-stamped, the average time between collection and deposit was more than two days, with the longest (two collections totaling \$2,044) deposited nine days after receipt.

We also reviewed all real property tax collection payments the Clerk made to the Supervisor and Treasurer. Only two payments were made to the Supervisor, and these payments were not made on a weekly basis and did not include interest and penalties collected, as required.

The first payment of \$100,000, dated January 21, 2020, was only a portion of the amount collected by that date. The Clerk also had approximately \$72,000 that was due to the Supervisor remaining in her bank account that should have been turned over. In addition, although the Clerk had collected enough by the last week of January to completely pay the Supervisor the total amount due to the Town, the second and final payment of approximately \$392,000 was not made until February 8, 2020. Furthermore, the Clerk collected \$1,844 in interest and penalties through April but did not remit these funds to the Supervisor until November 2020.

Similarly, while three separate payments should have been made to the Treasurer, only one payment was made, dated April 14, 2020, for the total amount due. No payment was made by either February 15, 2020, or March 15, 2020, as required. Although by February 15, 2020, approximately \$218,000 was available to be remitted to the Treasurer, by March 15, 2020, this number had grown to approximately \$280,000 (Figure 1).

Figure 1: Real Property Taxes Remitted

| Collection & Deposit Month | Town and County Taxes Collected & Deposited | Amount Remitted to Supervisor | Amount Remitted to Treasurer | Cumulative Unremitted Amount |
|----------------------------|---|-------------------------------|------------------------------|------------------------------|
| January | \$521,308 | \$100,000 | \$0 | \$421,308 |
| February | 214,764 | 391,970 | 0 | 244,102 |
| March | 67,382 | 0 | 0 | 311,484 |
| April | 24,420 | 0 | 334,060 | 1,844 |
| Total | \$827,874 | \$491,970 | \$334,060 | \$1,844^a |

a) Interest and penalties were not remitted to the Supervisor until November 2020.

... [T]he average time between collection and deposit was more than two days, with the longest (two collections totaling \$2,044) deposited nine days after receipt.

...[W]hile three separate payments should have been made to the Treasurer, only one payment was made...

The Clerk told us that she tried to make deposits as often as possible, but that it was difficult on weekends and when the weather conditions were poor. She also told us that she was unaware of the requirements for when payments were to be remitted to the Supervisor and the Treasurer.

When deposits and payments are not made in a timely manner, there is an increased risk of mistakes being made or money being lost or misappropriated without detection. Additionally, the longer money remains unremitted, the less cash flow Town officials have to effectively fund their operations.

The Clerk Did Not Properly Record or Deposit Clerk Fees

We reviewed all Clerk fees collected for the 2020 fiscal year totaling \$689 to determine if they were properly recorded, deposited, remitted and reported. We found that while the Clerk properly remitted and reported collections and recorded each collection in a cash receipts journal, 21 out of 29 collections totaling \$438 (64 percent) did not have the date recorded for when the collection was made. Therefore, the amount of time between collection and deposit of those transactions could not be determined. Although we could not accurately determine the number of days between collection and deposit, our review of the Clerk's duplicate deposit slips and bank statements showed deposits were made, on average, one to two times per month. Although fees collected each month never exceeded \$250, triggering the specific depositing requirements discussed previously, deposits were not made as soon as possible as recommended.

The Clerk admitted that she was negligent in recording the dates of collection for Clerk fees collected. She told us that she tries to make deposits as often as possible and has been trying to make a better effort to make deposits in a more timely manner. However, she was unaware of the recommended best practice to make deposits as soon as possible.

When deposits are not made as soon as possible and proper collection records that include the date money was collected are not maintained, it is difficult for Town officials to determine if all collections were appropriately deposited and accounted for.

What Do We Recommend?

The Clerk should:

1. Maintain accounting records that properly document the date of each collection.
2. Deposit all real property tax collections within 24 hours of receipt and Clerk fees within the required time frames or as soon as possible.
3. Remit all real property tax collections, including interest and penalties, to the Supervisor and Treasurer within the required timeframes.

Appendix A: Response From Town Officials

Town of Centerville

**Town Clerk
PO Box 94
Centerville, NY 14029**

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

**Re: Town of Centerville-town clerk and tax collection audit for 2020
Response letter and corrective response for Town of Centerville, NY**

To whom it may concern:

On July 6, 2021, we met with our auditors for the exit interview where all our questions were answered. I would like to thank our auditors for identifying the procedures that we have done correctly as well as identifying areas of improvement. I have reviewed the recent audit and have no dispute of the findings. The town board and I appreciate the feedback as to how we can make their requirements and procedures more efficient and in a timely manner.

Going forward our changed plan of action is as follows:

Town Clerk:

To make deposits more often and date all the incoming money on an excel sheet made to report only clerk activities each month.

Tax Collector:

To make copies of daily computer reports

To deposit money every day I collect into night deposit,

To give supervisor weekly checks

To give county treasurer weekly checks after all of town money has been given and to give supervisor interest checks on a weekly basis.

To present yearly reports for both town clerk and tax collector to the town board,

The town clerk/tax collector is on board with these changes. She has already made changes to her procedures for both this year so far and in the future.

We would like to thank our auditor for his patience, professionalism, and wealth of knowledge that he provides us with.

Sincerely,

**Marc Bliss, Town supervisor
Centerville, NY**

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 Clerk and the Supervisor and reviewed financial reports to gain an understating of the Clerk's financial operations.
- We reviewed all 521 tax collections received by the Clerk in 2020 to determine whether they were date stamped upon receipt, properly recorded in the cash receipts journal and properly reported.
- We compared all 521 tax collections received by the Clerk in 2020 to the bank deposit compositions to determine whether collections were deposited in a timely manner.
- We reviewed the tax collector's 2020 bank statements and canceled check images to determine when tax collections were remitted to the Supervisor and Treasurer.
- We reviewed the Clerk's collection records for Clerk fees for 2020 to determine whether they were recorded and reported properly and deposited in a timely manner.

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.

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 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 Town Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

<https://www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf>

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

<https://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

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

<https://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

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

<https://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

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

<https://www.osc.state.ny.us/local-government/publications>

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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