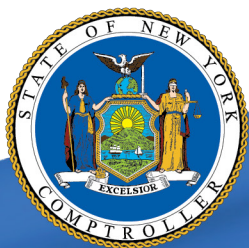


Town of Deerpark

Real Property Tax Collections

APRIL 2018



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

Contents

Report Highlights 1

Real Property Tax Collections. 2

 How Should the Clerk Record, Deposit and Remit Money? 2

 The Clerk Did Not Remit Collections to the Supervisor Timely 2

 The Clerk Did Not Maintain Adequate Records or Perform Bank
 Reconciliations. 2

 What Do We Recommend? 3

Appendix A – Response From Town Officials 4

Appendix B – Audit Methodology and Standards 5

Appendix C – Resources and Services. 6

Report Highlights

Town of Deerpark

Audit Objective

Determine whether the Town Clerk (Clerk), as the Tax Collector, established adequate controls over real property tax collections.

Key Findings

The Clerk did not:

- Make timely remittances to the Supervisor.
- Retain sufficient documentation for tax payments dates.
- Prepare daily reconciliations of cash received to transaction reports or monthly bank reconciliations.

Key Recommendations

- Remit collections to the Supervisor on a weekly basis.
- Retain documentation showing tax payments dates.
- Reconcile daily cash reports to transaction reports and perform monthly bank reconciliations.

Town officials agreed with our recommendations and indicated they planned to initiate corrective action.

Background

The Town of Deerpark (Town) is located in Orange County. The Town is governed by four elected council members and the Town Supervisor (Board). The Board has the power to collect taxes on real property and to issue debt. The Town provides the following services to its residents: street maintenance, snow removal, fire and police protection, justice court and general governmental administration.

The Clerk acts as the appointed Tax Collector and has a Deputy Collector. The Town has had three different Tax Collectors in the last three years.

Quick Facts

Population	7,900
2017 Budget Appropriations	\$5.1 million
2017 Real Property Tax Receivable	\$3.4 million
2017 Real Property Penalties and Fees Collected	\$8,207

Audit Period

January 1, 2016 – July 19, 2017

Real Property Tax Collections

As the Tax Collector, the Clerk collects real property taxes pursuant to the annual warrant issued by the County Board of Legislators. The warrant directs the Clerk to collect taxes for the Town and County and remit them to the Supervisor and County Treasurer. The 2017 warrant included Town taxes totaling \$3.4 million.

How Should the Clerk Record, Deposit and Remit Money?

The Clerk collects real property taxes from January through March 31 of each year. After that, the County collects any overdue taxes. The Clerk is responsible for maintaining accurate and complete records of every tax payment received, including interest and penalties. The Clerk should document all payments received, including retaining postmarked envelopes as evidence of the date the payment was received.¹ The Clerk should also maintain a detailed record of each transaction by recording tax payments, separate from interest and penalties and summarize all tax payments received on a daily basis. The Clerk must also ensure that daily cash receipts correspond to the total amount deposited. Furthermore, the Clerk is required by New York State Town Law to deposit all money collected within 24 hours of receipt, remit all deposits to the Supervisor at least once each week until the Town's portion of the tax levy is satisfied and remit all residual collections to the County Treasurer by the 15th of each month following receipt. At the end of the Town collection period, the Clerk should prepare a list of unpaid taxes for collection by the County.

The Clerk Did Not Remit Collections to the Supervisor Timely

The Clerk did not remit collections to the Town Supervisor (Supervisor) in a timely manner as required by law. We reviewed the Clerk's bank statements and check images and prepared a schedule of deposits and remittances to the Supervisor. Based on that schedule, we found that by the end of the third week of January 2017 the Clerk had collected almost \$1.7 million in taxes. However, the Clerk did not remit any tax collections to the Supervisor until the fourth week of January. When tax collections are not remitted to the Supervisor in a timely manner, the Town may not have sufficient cash flow to operate effectively.

The Clerk Did Not Maintain Adequate Records or Perform Bank Reconciliations

The Clerk did not maintain the postmarked envelopes for tax payments received. We reviewed 28 payments recorded in the beginning of February and 14 payments recorded in the beginning of March to determine whether the correct penalties were paid. Because postmarked envelopes were not maintained, Town

¹ A payment of taxes received upon delivery by the United States Postal Service is deemed to have been paid on the date of the envelope's postmark.

officials are unable to determine the dates these payments were received and therefore cannot determine whether the correct penalties had been collected.

When the Clerk receives payments either by mail or in person, the payment is recorded in a computerized software system which is able to generate activity reports. The money received is deposited into the bank by either the Clerk or the Deputy Collector. The Clerk does not prepare daily cash reports to reconcile to the transaction reports. Further, the Clerk does not prepare bank reconciliations. Without adequate bank reconciliations, Town officials cannot effectively identify and correct recordkeeping errors or questionable transactions.

What Do We Recommend?

The Clerk should:

1. Remit tax collections to the Supervisor on a weekly basis.
2. Retain postmarked envelopes for tax payments.
3. Reconcile daily deposits to transaction reports and perform monthly bank reconciliations.

Appendix A: Response From Town Officials



TOWN OF DEERPARK

GARY SPEARS, SUPERVISOR
DAVID M. DEAN, DEPUTY SUPERVISOR
ARTHUR TROVEI, COUNCILMAN
KENNETH SMITH, COUNCILMAN
ALAN F. SCHOCK, COUNCILMAN

April 23, 2018

Office of State Comptroller
Local Government and School Accountability
33 Airport Center Dr. Suite 103
New Windsor, NY 12553

Tenneh Blamah
[REDACTED]

RE: Response to Draft Audit Report

I have reviewed your report and I agree with your findings and recommendations. We will submit a corrective action plan after we receive the audit report.

Sincerely:

Gary Spears
Supervisor, Town of Deerpark

420 U.S. ROUTE 209 – PO BOX 621, HUGUENOT, NEW YORK 12746
PHONE – 845-856-2210, Ext. 1 **FAX** – 845-856-0935
E-MAIL – townboard@townofdeerpark.org

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 reviewed the Board minutes for guidance directing the Clerk for the tax collection process.
- We interviewed the Clerk and the Deputy Collector inquiring of their procedures, accounting records and controls over the tax collections.
- We reviewed the batched receipts for date stamp and the penalties and interest paid notation.
- We verified the accuracy of the check register against the bank statements.
- We tested the transaction reports against the batched deposits.
- We obtained access to the software program to test collections against the check register and bank statement.
- We verified that cash on the deposit slips matched the cash collected in the software program.
- We reviewed and verified the settlement report with the County.
- We verified that the bank account was zeroed out at the end of the collection period and all funds were remitted to the Supervisor and County, as required by law.

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.

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 Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

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

www.osc.state.ny.us/localgov/costsavings/index.htm

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

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

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

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

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

www.osc.state.ny.us/localgov/planbudget/index.htm

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

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.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/localgov/finreporting/index.htm

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

www.osc.state.ny.us/localgov/researchpubs/index.htm

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

www.osc.state.ny.us/localgov/academy/index.htm

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

www.osc.state.ny.us/localgov/index.htm

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

NEWBURGH REGIONAL OFFICE – Tenneh Blamah, Chief Examiner

33 Airport Center Drive, Suite 103 • New Windsor, New York 12553-4725

Tel (845) 567-0858 • Fax (845) 567-0080 • Email: Muni-Newburgh@osc.state.ny.us

Serving: Columbia, Dutchess, Greene, Orange, Putnam, Rockland, Ulster, Westchester counties



Like us on Facebook at facebook.com/nyscomptroller

Follow us on Twitter [@nyscomptroller](https://twitter.com/nyscomptroller)