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April 2018

Marion Ireland, Supervisor  
Members of the Town Board  
Town of Coventry  
1839 NY-235  
Coventry, NY 13778

Report Number: P4-17-25

Dear Supervisor Ireland and Members of the Town Board:

A top priority of the Office of the State Comptroller is to help Town officials manage their resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support Town 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 governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard assets.

In accordance with these goals, we conducted an audit of 10 towns throughout New York State. The objective of our audit was to determine whether town assessors are properly administering select real property tax exemptions. We included the Town of Coventry (Town) in this audit. Within the scope of this audit, we examined Agricultural,<sup>1</sup> Persons 65 Years of Age or Older (Senior Citizens)<sup>2</sup> and Veterans<sup>3</sup> exemptions for the period January 1, 2016 through April 7, 2017. 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 report of examination letter contains our findings and recommendations specific to the Town. We discussed the findings and recommendations with Town officials and considered their comments, which are included in Appendix A, in preparing this report. Town officials generally agreed with our recommendations and indicated they plan to initiate corrective action. At the completion of our audit of the 10 towns, we prepared a global report that summarizes the significant issues we identified at all of the towns audited.

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<sup>1</sup> Section 305 of the Agriculture and Markets Law and Section 483 of the Real Property Tax Law

<sup>2</sup> Section 467 of the Real Property Tax Law

<sup>3</sup> Sections 458, 458-a and 458-b of the Real Property Tax Law

## **Summary of Findings**

The former and current Assessor did not properly administer select real property tax exemptions. Specifically, they did not maintain adequate supporting documentation and incorrectly calculated or classified a number of granted real property tax exemptions. As a result, we could not verify whether property owners received appropriate tax reductions totaling as much as \$28,200. If exemptions were not properly granted, it could have resulted in higher property tax bills for other residents. Additionally, the County did not update the real property tax system to reflect a 2009 local law, resulting in residents who received certain Veterans exemptions paying higher tax bills. The failure to maintain adequate records, require annual renewals, verify and review information annually or correctly calculate exemptions increases the risk that individuals could receive exemptions to which they are not entitled on future tax rolls.

## **Background and Methodology**

The Town is located in Chenango County, covers 49 square miles and has approximately 1,700 residents. The Town's 2017 budgeted appropriations totaled \$756,325. Major costs included road maintenance and improvements, snow removal and general government support. These costs are funded primarily through real property taxes and sales tax distributed by the County.

The Town is governed by a five-member Town Board (Board). The Town Supervisor (Supervisor) is a Board member and serves as the chief executive and chief fiscal officer. The Town Assessor (Assessor) is responsible for granting and tracking real property tax exemptions within the Town's boundaries, including the County and school districts. The Assessor determines the assessed values of properties each year for the assessment roll (2016), which is then used to create the tax bills for the following year's tax roll (2017). The Assessor is responsible for retaining a properly completed application form and additional supporting documentation that a property was eligible for an exemption. The Town has 1,125 parcels totaling \$91 million in total taxable assessed value in 2016, with 273 Agricultural, Senior Citizens and Veteran exemptions totaling \$7.6 million in assessed value. The current Assessor was appointed on January 1, 2013 and also serves eight other towns. The Assessor holds office hours six hours per month at the Town.

To complete our audit objective, we reviewed Agricultural, Senior Citizens and Veterans exemptions documentation for accuracy and propriety. We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). More information on the standards and the methodology used in performing this audit are included in Appendix B 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.

## **Audit Results**

To properly administer real property tax exemptions, the Assessor needs to ensure applicants meet eligibility requirements and receive the proper calculated exemption amount. The Assessor should also verify that exemption codes are properly selected and amounts are properly calculated in the Real Property Tax System. Lastly, the Assessor should also retain supporting documentation for

those granted exemptions and consult with the New York State Office of Real Property Tax Services (ORPTS) or the Chenango County Real Property Tax Services Office, as necessary, for technical assistance.

Agricultural – The Agricultural exemption generally requires an average annual gross sales over the previous two years of \$10,000 for farms with seven or more acres of land, or \$50,000 for farms of less than seven acres. The Agricultural exemption amount is calculated based on a New York State certified soil productivity value for each parcel. Property owners may also lease acreage to eligible farmers and receive an Agricultural exemption. Property owners receiving certain Agricultural exemptions are required to file a renewal form each year certifying the property remains eligible for the exemption. Although the renewal form does not require proof of income, Assessors should be periodically verifying farm income to ensure the property remains eligible.

Thirteen of the 20 properties we reviewed receiving an Agricultural exemption lacked one or more pieces of supporting documentation to verify the eligibility of these exemptions. For example, one property lacked proof of income and soil group worksheets and nine properties lacked either proof of income or the soil group worksheet. We also found four properties listed as leased to another farmer, but the lease had either expired or lease affidavits provided no additional documentation indicating the leases were renewed. Furthermore, two properties did not meet the minimum income requirements. This equates to approximately \$22,500 in possible inappropriate County, Town and School tax reductions for fiscal year 2017. Lastly, the Assessor does not periodically verify farm income when property owners submit their renewal forms.

Senior Citizens – The Senior Citizens exemption requires the property be used exclusively for residential purposes and owned by a person 65 years or older (with some familial exceptions), with varying income limits established by each municipality. Residents receiving the Senior Citizens exemption are required to file a renewal form each year, along with supporting documentation to show their income is below the threshold. Additionally, the resident must own the property for a consecutive 12 months (unless an exception applies) before receiving the exemption.

Seven of the 10 properties we reviewed receiving a Senior Citizens exemption were unsupported. All seven exemptions lacked proof of age eligibility, which may have resulted in property owners inappropriately receiving a total of \$5,300 in County, Town and School tax reductions for fiscal year 2017. Furthermore, of these exemptions, two properties did not have a 2016 renewal form on file, and one property owner did not own the property for 12 consecutive months prior to receiving the exemption.

Veterans – Requirements related to Veterans exemptions vary, but typically include that the primary residence is of a veteran (or a qualifying family member) of the United States Armed Services who actively served during certain eligible time frames or received an expeditionary medal and were discharged under honorable conditions. Towns may pass local laws that establish these exemptions, as well as raise or lower the maximum amount that a single property may be exempt from. Furthermore, disabled veterans may receive an additional exemption based on supporting documentation.

We reviewed 20 properties receiving 24 Veterans exemptions and found six exemptions lacked supporting documentation. These property owners may have inappropriately received \$414 in County and Town tax reductions for fiscal year 2017. Two exemptions were incorrectly classified,

resulting in these property owners paying \$361 more in taxes for fiscal year 2017. One veteran applied for a disability exemption in 1989 which was never granted, and the other veteran has been receiving an exemption with a lower maximum than the exemption he was eligible for since 2010.

Furthermore, eight exemptions were incorrectly calculated because the County did not update the Real Property Tax System to reflect a 2009 Town-approved increase in the maximum allowable exemption amounts, and the Assessor was not aware of the updated local law.<sup>4</sup> This resulted in these property owners paying \$232 more in Town taxes for fiscal year 2017. Because of this Town-wide error, we reviewed the remaining 67 applicable Veterans exemptions and found 28 additional property owners lost \$681 in tax reductions for fiscal year 2017.

Granted exemptions reduce the taxable assessed value of a property and, therefore, the owner’s tax payment. To ensure the Town’s tax levy is fair and equitable, it is important that the Assessor determine every exemption is legitimate. The Town granted a total of 686 of these exemptions on the 2016 assessment roll, collectively reducing the taxable assessed value by almost \$21 million. We found exceptions with 85 of the 135 exemptions reviewed (Figure 1). These properties with exceptions had their total taxable assessed value reduced by more than \$2.8 million.

**Figure 1: Fiscal Year 2017 Real Property Exemptions and Exceptions**

<b>Local Government Type</b>	<b>Total Exemptions<sup>(a)</sup></b>	<b>Total Exempted Value<sup>(a)</sup></b>	<b>Total Number of Exemptions Tested</b>	<b>Exceptions Identified from Records</b>	<b>Total Exempted Value of Exceptions</b>
County	245	\$6,693,340	47	25	\$908,348
Town	273	\$7,583,152	56	38	\$1,048,013
School	168	\$6,257,081	32	22	\$920,125
<b>Totals</b>	<b>686</b>	<b>\$20,533,573</b>	<b>135</b>	<b>85</b>	<b>\$2,876,486</b>

<sup>(a)</sup> This includes only Agricultural, Senior Citizens and Veterans exemptions categories.

Every exemption shifts the tax burden to the non-exempt properties. Therefore, the high rate of exceptions noted above (63 percent) can cause inequity among taxpayers for financing local government operations to the extent that exemptions are inappropriately given. The total exempted value for these three exemption categories is approximately 8 percent of the Town’s taxable assessed value. Many of these errors began prior to the current Assessor’s term, and continue unresolved.

<sup>4</sup> The County updated the real property tax system to reflect the maximum allowable exemption amounts established by the local law for the 2017 assessment roll.

## Recommendations

The Assessor should:

1. Ensure all applicants provide adequate supporting documentation before granting exemptions.
2. Correctly apply statutory provisions to granted exemptions and consult with ORPTS or Chenango County Real Property Tax Services Office, as necessary, for any technical assistance.
3. Maintain documentation to support eligibility for all exemptions.
4. Annually verify income to support Agricultural and Senior Citizens exemptions.
5. Ensure previously granted exemptions are supported and continue to meet eligibility requirements.
6. Review the assessment roll exemption summary annually for noticeable errors and make necessary changes.

The Board should:

7. Consult the Town's attorney regarding recovery and the potential legal and financial impacts the Town may face from prior years' erroneous exemptions.

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.

We thank the officials and staff of the Town for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo  
Deputy Comptroller

## **APPENDIX A**

### **RESPONSE FROM TOWN OFFICIALS**

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



Town Of Coventry  
1839 State Highway 235  
Greene, NY 13778

Marion L. Ireland  
Town Supervisor

Theresa A. Schultheis  
Town Clerk

October 18, 2017

H. Todd Eames, Chief Examiner  
State Office Building, Suite 1702  
44 Hawley St.  
Binghamton, NY 13901-4417

Unit Name: Town of Coventry  
Audit Report Title: Real Property Tax Exemptions  
Report Number P4-17-25

**Audit Recommendation 1:**

Ensure all applications provide adequate supporting documentation before granting exemptions.

**Implementation Plan of Action and date for item 1:**

The assessor will obtain supporting documentation from property owners before granting any exemptions. Agricultural Exemptions: Although the renewal form does not require proof of income, the assessor will periodically verify farm income to ensure the property remains eligible for new exemptions and those missing documentation. The assessor will also request a Schedule F from a lessee. Senior Exemption: Assessor will from now on require proof of age. Those who currently do not have verification will be asked to provide such verification. Veterans: All exemptions will require proper documentation. Those who are missing the documentation will be contacted to provide the proper documents.

**Implementation Date:** September 2017

**Person responsible for implementation:** Assessor

**Audit Recommendation 2:**

Correctly apply statutory provision to granted exemptions and consult with ORPTS or Chenango County Real Tax Service Office, as necessary, for any technical assistance.

**Implementation Plan of Action and date for item 2:**

A notebook will be provided for the assessor to keep all past and any new resolutions passed regarding properties. The assessor will also check with the Chenango County Real Property Tax Services Office regarding any changes.

**Implementation Date:** September 2017

**Persons responsible for implementation:** Assessor, Town Supervisor and Town Clerk.

**Audit Recommendation 3:**

Maintain documentation to support eligibility for all exemptions.

**Implementation Plan of Action and date for item 3:**

The assessor will document all supporting eligibility requirements for all exemptions and maintain them in the files.

**Implementation Date:** September 2017

**Person responsible for implementation:** Assessor

**Audit Recommendation 4:**

Annually verify income to support Senior Citizens and Agricultural exemptions.

**Implementation Plan of Action and date for item 4:**

The assessor will continue to verify income for Senior Citizens and will begin to verify income for Agricultural Exemptions.

**Implementation Date:** September 2017

**Person responsible for implementation:** Assessor

**Audit Recommendation 5:**

Ensure previous granted exemptions are supported and continue to meet eligibility requirements.

**Implementation Plan of Action and date for item 5:**

Assessor will ensure that previously granted exemptions are supported and continue to meet eligibility requirements.

**Implementation Date:** October 2017

**Person responsible for implementation:** Assessor

**Audit Recommendation 6:**

Review the assessment roll exemption summary annually for noticeable errors and make necessary changes.



**Implementation Plan of Action and date for item 6:**

The assessor will review the assessment roll exemption summary annually for noticeable errors and make necessary changes.

**Implementation Date:** October 2017

**Person responsible for implementation:** Assessor

**Audit Recommendation 7:**

Consult the Town's attorney regarding recovery and the potential and financial impacts the Town may face from prior years' erroneous exemptions.

**Implementation Date:** October 2017

**Persons responsible for implementation:** Town Board and Town Supervisor

Marion L. Ireland

October 18,2017

Town of Coventry Supervisor

## APPENDIX B

### AUDIT METHODOLOGY AND STANDARDS

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

- We reviewed Board minutes, monthly Assessor reports and applicable local legislation to gain an understanding of the audit scope. We inquired with the Assessor about the real property exemption process and record keeping requirements.
- We randomly selected 20 properties with an Agricultural exemption totaling \$3.3 million in assessed value for further testing. We reviewed the original application<sup>5</sup> to determine whether all required documentation was submitted. This included a soil survey from the Soil and Water Conservation District, if available. We reviewed any income support to determine whether the farmer met the minimum requirements. If applicable, we also determined whether the property had a current Agricultural exemption renewal form on file. If the property was leased to another farmer, we determined whether there was a current lease on file. We then recalculated the exemption for 10 of the 16 properties with available supporting documentation to determine whether the property received the proper exemption amount. We also performed an aerial observation of the property using mapping software to verify the property did not appear fallow or uncultivated. We then calculated the tax dollar effect of any exceptions found.
- We randomly selected 10 properties with a Senior Citizens exemption totaling \$1.2 million in assessed value for further testing. We verified the income reported meets the eligibility as established by each municipality. We noted whether any record of income or age was retained. We also recalculated the exemption amount taking into consideration allowable income deductions, such as certain medical expenses. We then calculated the tax dollar effect of any exceptions found.
- We randomly selected 20 properties with a Veterans exemption totaling \$2.6 million in assessed value for further testing. We reviewed the record retained in the property folder to justify the exemption. We recalculated the exemption amount to verify the property received the appropriate exemption amount.
- We reviewed all 67 additional properties receiving the applicable Veterans exemption and selected 28 receiving the maximum exemption totaling \$4.9 million in assessed value and calculated the taxable effect of the error caused by the real property tax system update issues.

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.

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<sup>5</sup> [https://www.tax.ny.gov/pdf/current\\_forms/orpts/rp305\\_fill\\_in.pdf](https://www.tax.ny.gov/pdf/current_forms/orpts/rp305_fill_in.pdf)