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April 2018

Edward Gehm, Supervisor  
Members of the Town Board  
Town of Lisle  
9234 NY-79  
Lisle, NY 13797

Report Number: P4-17-24

Dear Supervisor Gehm 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 Lisle (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 10, 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 \$35,412. If exemptions were not properly granted, it could have resulted in higher property tax bills for other residents. 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 Broome County, includes the Village of Lisle, covers 47 square miles and has approximately 2,750 residents. The Town's 2017 budgeted appropriations totaled approximately \$1.7 million. 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, Village and school and special 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 County, Town and School tax rolls (2017) and Village tax roll (2018). 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 had approximately 1,400 parcels totaling \$106 million in total taxable assessed value in 2016, with 286 Agricultural, Senior Citizens and Veterans exemptions totaling \$14.8 million in assessed value. The current Assessor was appointed on October 1, 2013 and also serves two other towns. The Assessor works 10 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 Broome 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. Newly constructed or reconstructed agricultural structures are allowed a 10-year property tax exemption from any increase in the property's assessed value resulting from the improvement. 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 periodically verify farm income to ensure the property remains eligible.

Fourteen 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, six properties did not have an original application, proof of income or soil group worksheet. Additionally, two property files had notes indicating they were leased. However, there were no leases on file. These property owners may have inappropriately received \$29,720 in County, Town, School and special district tax reductions for fiscal year 2017 and Village tax reductions for fiscal year 2018. We also found one property with an incorrectly calculated exemption resulting in the owner paying \$400 more in County, Town, School and special district taxes for fiscal year 2017. Lastly, we found one property was receiving an agricultural building exemption for more than 10 years, resulting in \$10,000 of inappropriate exempted assessed value over each of the past six years. This equated to \$300 in County, Town, School and special district tax reductions for fiscal year 2017.

We also reviewed the assessment roll for other irregularities and found one property did not have the exemption applied to the Village taxable assessment, resulting in the owner losing an additional \$102 in tax reductions. We also found one property misclassified in the County Agricultural District, resulting in the owners paying \$125 less in special district taxes for 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 determined 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.

Eight of the 10 properties we reviewed receiving a Senior Citizens exemption lacked proof of age and/or income eligibility. This may have resulted in property owners inappropriately receiving a total of \$2,735 in County and School tax reductions for fiscal year 2017.

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 was 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.<sup>4</sup> Furthermore, disabled veterans may receive an additional exemption based on supporting documentation.

We reviewed 20 properties receiving 27 Veterans exemptions and found 10 exemptions lacked supporting documentation. These property owners may have inappropriately received \$2,400 in County and Town tax reductions for fiscal year 2017 and Village tax reductions for fiscal year 2018. We also found one property owner that had a misclassified exemption, an incorrectly calculated exemption, and an additional incompatible exemption resulting in the owner inappropriately receiving \$132 in County and Town tax reductions for fiscal year 2017 and Village tax reductions for fiscal year 2018. Additionally, another property owner had one exemption misclassified and the other exemption was not applied to the County taxable assessment, resulting in the owner losing \$498 in County and Town tax reductions for fiscal year 2017. We reviewed the assessment roll and found an additional three exemptions that were not applied to all eligible tax assessments because the Assessor did not select them in the Real Property Tax System, resulting in the owners losing \$159 in County or Village tax reductions for fiscal years 2017 and 2018, respectively.

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 818 of these exemptions on the 2016 assessment roll, collectively reducing the taxable assessed value by almost \$45 million. We found exceptions with 91 of the 135 exemptions reviewed (Figure 1). These properties with exceptions had their total taxable assessed value reduced by more than \$3.6 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                       | 322                                   | \$15,971,262                              | 57                                       | 38  | \$1,472,592                               |
| Town                         | 286                                   | \$14,805,553                              | 49                                       | 30  | \$1,111,982                               |
| Village                      | 17                                    | \$415,509                                 | 6  | 6   | \$176,457                                 |
| School                       | 193                                   | \$13,440,834                              | 23                                       | 17  | \$917,827                                 |
| <b>Totals</b>                | <b>818</b>                            | <b>\$44,633,158</b>                       | <b>135</b>                               | <b>91</b>                                 | <b>\$3,678,858</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 (67 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 14 percent of the Town’s taxable assessed value.

<sup>4</sup> Town officials were unable to provide the local law establishing the maximum exemption amounts for the Alternative Veterans Exemption for the Town and Village. However, these amounts have been used since at least 2013, so we used them for testing purposes.

Many of these errors began prior to the current Assessor's term and are in the process of being corrected.

## **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 Broome 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.

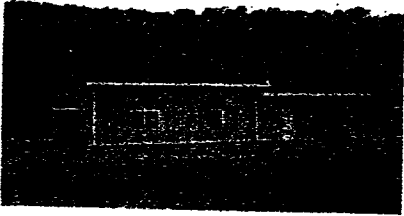
Sincerely,

Gabriel F. Deyo  
Deputy Comptroller

## **APPENDIX A**

### **RESPONSE FROM TOWN OFFICIALS**

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



# TOWN OF LISLE

**Edward Gehm**  
SUPERVISOR

**Brenda Tillotson**  
TOWN CLERK

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## Answer to Draft Report #P4-17-24

In review of the State Comptrollers Draft of Lisle Real Property Exemption Audit.

It is my understanding that the majority of insufficiencies are that documentation is missing.

In my personal opinion I believe (except for documents missing) that the people, (from knowing the people in my Town) do qualify. Also I understand some Ag-exempts may need to be reviewed for accuracy in amount, time lapsed and documents of proof.

Our Assessor came on board in 2014 and now we know that records need to be reviewed from the origin of the exemption.

I have talked to Cindy Mills the assessor and she has already began this process and we agree on a plan to notify people of the documents and proof we need. I and the Board will furnish any support she needs.

I believe that if we review these exemptions and correct them as perfect as possible there will be little difference in the total exemptions.

Edward Gehm

**Town of Lisle 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 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 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 13 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 reviewed the assessment roll for any apparent irregularities in exemptions granted and selected two additional properties with an Agricultural exemption totaling \$180,400 in assessed value that did not appear to be applied against all eligible tax assessments or that were misclassified as being in the County Agricultural District. We then calculated the taxable effect of these errors.
- We randomly selected 10 properties with a Senior Citizens exemption totaling \$796,000 in assessed value for further testing. We verified the income reported meets the eligibility as established by each municipality or as reported in the County's real property tax system. We noted whether any record of income or age was retained. We then calculated the tax dollar effect of any exceptions found.
- We randomly selected 20 properties with a Veterans exemption totaling approximately \$2.4 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 the assessment roll for any apparent irregularities in exemptions granted and selected all three additional properties with a Veterans exemption totaling \$192,000 in assessed value that did not appear to be applied against all eligible tax assessments. We then calculated the taxable effect of these errors.

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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)



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.