

# Town of New Hudson

## Tax Collection

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APRIL 2021

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

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# Report Highlights

## Audit Objective

Determine whether the Town of New Hudson (Town) Town Clerk (Clerk) recorded, deposited and remitted real property tax collections in a timely and accurate manner.

## Key Finding

Although tax collections were generally recorded and deposited accurately and in a timely manner, the Clerk did not:

- Remit collections to the Town Supervisor (Supervisor) weekly, as required.

## Key Recommendation

- Remit all real property tax collections, penalties and interest to the Supervisor weekly.

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

## Background

The Town is located in Allegany County (County). The Town is governed by an elected Town Board (Board) composed of a Supervisor and four Board members. The Board is responsible for overseeing operations and finances, including overseeing the Clerk’s tax collection activities.

The Clerk is responsible for collecting and remitting Town and County real property taxes to the Supervisor and County Treasurer. The Clerk collects real property taxes from January 1 through March 31 each year. After that, the County collects any overdue taxes.

### Quick Facts

|                                    |           |
|------------------------------------|-----------|
| 2020 Real Property Taxes Collected | \$915,514 |
| Population                         | 781       |

## Audit Period

January 1, 2020 – December 15, 2020

# Real Property Tax Collection

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## How Should Officials Account for Real Property Taxes?

The clerk is responsible for maintaining accurate and complete records of every real property tax payment received, including interest and penalties. The clerk is required to deposit all money collected within 24 hours of receipt and remit all deposits to the supervisor at least once a week, including any interest and penalties collected. In addition, the clerk is responsible for collecting penalties for all tax payments received after February 1st. Once the town's tax levy has been satisfied, tax collections must be remitted to the county treasurer by the 15th of each month.

The clerk should issue and retain a receipt for each collection made. These receipts should be in duplicate format, pre-numbered 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 real property tax collections, tax bills can serve as receipts because they are pre-numbered, come in two parts (collector's copy and customer copy) and adequately satisfy the requirements for issuing a receipt if they are completed properly and retained.

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...[T]he Clerk did not remit collections to the Supervisor weekly, as required.

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## Tax Collections Were Deposited Timely and Recorded Accurately

We reviewed the Clerk's 2020 real property tax collections totaling approximately \$916,000. We found that they were generally properly recorded and deposited timely and intact (in the same amount and form – cash or check – as received).

The Clerk retained tax receipts that showed the date and method of payment and generally recorded tax payments upon receipt.

## Tax Collections Were Not Remitted in a Timely Manner

We reviewed 588 tax payments recorded and deposited from January 2020 through April 2020 totaling approximately \$916,000 and found that the Clerk did not remit collections to the Supervisor weekly, as required.

For example, she did not remit any tax collections to the Supervisor during the first and third weeks of January 2020 when approximately \$46,000 in the first week and \$144,000 in the third week had been collected and was available to be remitted. Additionally, although the Town's tax levy was satisfied by January 31, 2020, the Clerk did not remit final payment to the Supervisor until February 5, 2020 (Figure 1). Further, although required to pay interest and penalties to the Supervisor weekly, the Clerk did not remit interest and penalties totaling \$1,945 (collected in February and March 2020) until May 9, 2020.

**Figure 1: Real Property Taxes Remitted in 2020**

| Week          | Dates           | Collected | Remitted to the Supervisor | Cumulative Unremitted Amount |
|---------------|-----------------|-----------|----------------------------|------------------------------|
| <b>Week 1</b> | January 1 – 3   | \$45,526  | \$0                        | \$45,526                     |
| <b>Week 2</b> | January 6 – 10  | \$98,308  | \$100,000                  | \$43,834                     |
| <b>Week 3</b> | January 13 – 17 | \$100,140 | \$0                        | \$143,974                    |
| <b>Week 4</b> | January 20 – 24 | \$172,682 | \$100,000                  | \$216,656                    |
| <b>Week 5</b> | January 27 – 31 | \$132,224 | \$0                        | \$348,880                    |
| <b>Week 6</b> | February 3 – 5  | \$0       | \$348,880                  | \$0                          |

The Clerk told us that she was unaware she was required to remit taxes to the Supervisor weekly. Delays in remitting real property taxes to the Supervisor resulted in money not being available to fund Town operations. Additionally, when money collected is not remitted timely, it increases the risk that tax funds could be used for inappropriate purposes.

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

The Clerk should:

1. Remit all real property taxes collections, interest and penalties to the Supervisor weekly as required.

# Appendix A: Response From Town Officials

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TOWN OF NEW HUDSON

PO BOX 65

BLACK CREEK, NY 14714

Town of New Hudson

Tax Collection

2021M-2

We agree with the audit findings.

Audit Recommendation: Remit all real property tax collections, penalties and interest to the Supervisor weekly.

Implementation Plan of Action: The Clerk in the future plans to send the real property tax collections, penalties and interest to the Supervisor weekly.

Implementation Date: The planned implementation date of the corrective action will be January 2022.

Person Responsible for Implementation: The person responsible for the implementation will be the Town Clerk/Tax Collector.

Signed:

William Shuler

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Title:

*Supervisor*

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Date:

*3/10/22*

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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 Town officials to gain an understanding of the internal control policies and procedures and current practices relating to the Clerk's management of real property taxes.
- We reviewed all 2020 real property tax collections to determine whether collections were properly recorded, interest and penalties were properly calculated and deposits were timely and intact. We obtained corresponding bank deposit compositions for all deposits and compared them against the collections recorded in the Clerk's records.
- We reviewed payments the Clerk made to the Supervisor and County Treasurer to determine whether tax collections were properly remitted to the appropriate parties 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.

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

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### **Regional Office Directory**

[www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional\\_directory.pdf](http://www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional_directory.pdf)

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

[www.osc.state.ny.us/local-government/publications?title=&body\\_value=&field\\_topics\\_target\\_id=263196&issued=All](http://www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263196&issued=All)

### **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?title=&body\\_value=&field\\_topics\\_target\\_id=263206&issued=All](http://www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263206&issued=All)

### **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/sites/default/files/local-government/documents/pdf/2020-05/cyber-security-guide.pdf](http://www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/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)

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

[www.osc.state.ny.us/local-government/publications?title=&body\\_value=&field\\_topics\\_target\\_id=263211&issued=All](http://www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263211&issued=All)

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

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

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