

# Town of Coventry

## Town Clerk/Tax Collector

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APRIL 2022

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

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# Report Highlights

## Town of Coventry

### Audit Objective

Determine whether the Town of Coventry (Town) Town Clerk/Tax Collector (Clerk) recorded, deposited, remitted and reported collections accurately and in a timely manner.

### Key Findings

The Clerk did not record, deposit, remit or report all collections in a timely manner. As a result, the Town's collections were at a greater risk of being lost or misappropriated.

- The Clerk did not accurately record all real property tax collections, and the Clerk deposited some collections and fees months after they were received.
- As of July 31, 2021, a portion of real property tax penalties collected (\$1,601), a taxpayer's double payment received (\$1,465), and a portion of Clerk fees collected (\$1,075) were not remitted or refunded to the appropriate parties.
- The Board did not conduct the required annual audit of the Clerk's records and reports.

### Key Recommendations

- Record all real property tax collections and Clerk fees accurately and in a timely manner.
- Deposit all collections within the required timeframes.
- Remit real property tax collections and Clerk fees to the appropriate recipients within the required timeframes.
- Conduct an annual audit of the Clerk's records and reports.

Town officials generally agreed with our findings and recommendations and indicated they will take corrective action. Appendix B includes our comment on an issue raised in the Town's response letter.

### Background

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

The Clerk serves as the tax collector responsible for collecting and remitting Town and County real property taxes to the Supervisor and County Treasurer.

The Clerk also collects fees for a variety of purposes, including birth and death certificates, marriage licenses, septic permits, site plans, hall rentals, dog licenses and dog redemption fees.

#### Quick Facts

Population	1,655
2020 and 2021 Real Property Taxes and Penalties Collected	\$2,571,486
Clerk Fees Deposited within the Audit Period	\$2,054

### Audit Period

January 1, 2020 – March 31, 2021

We extended our audit period through July 31, 2021 to get a full accounting of the tax collection process for two full years, including recording, depositing, reporting and remitting of collections.

# Town Clerk/Tax Collector

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## **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.

The clerk must deposit all real property tax money within 24 hours of receipt and deposit clerk fees within three days of when collections accumulate to more than \$250.

In addition, preparing accurate monthly bank reconciliations and accountabilities are critical procedures that serve to document the status of money held by the clerk. Monthly bank reconciliations and accountabilities enable the clerk to verify the accuracy of financial records and ensure that assets are sufficient to meet liabilities. Any differences should be researched and explained.

As tax collector, the clerk is required to remit real property tax collections to the town supervisor at least once each week until the town's share of taxes is paid in full. The remaining tax collections must be paid to the county treasurer no later than the 15th day of each month following the date of receipt. In addition, the clerk is required to assess penalties and interest on real property tax collections that are not received on time and to remit to the town supervisor for fees and other money collected belonging to the town no later than the 15th day of each month following receipt.

## **The Clerk Did Not Accurately Record and Deposit Collections in a Timely Manner**

Real Property Taxes – The Clerk collected real property taxes and penalties totaling about \$2.6 million in 2020 and 2021. The Clerk did not routinely record real property tax collections on the day received; she often recorded collections as she prepared the bank deposits. In addition, the Clerk did not make bank deposits within 24 hours of collection as required; instead, she made deposits in batches. Receipts for collections were stamped and initialed with the payment date and stapled with batch reports for deposits.

We compared the Clerk's real property tax collection records to bank deposit compositions for February, March and April 2021. Our review of 21 deposits totaling \$1,041,113 found two collections were not accurately recorded. A \$1,179 collection paid with cash was inaccurately recorded as being paid by check and a \$645 collection paid by check was inaccurately recorded as being paid with cash.

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To determine whether real property tax penalties for late payments were properly assessed, recorded, collected and deposited, we reviewed 50 tax collection transactions within the 2020 and 2021 penalty periods. In addition, we mailed confirmation letters to the owners of 48 properties requesting confirmation of the method of payment and payment amounts (including penalties, if applicable). We received responses from owners of 26 properties and each response confirmed the method of payment and payment amount were accurate. Aside from minor discrepancies discussed with the Clerk, penalties were properly recorded and deposited.

However, we determined that collections were not deposited within 24 hours, as required. In 2020, the average number of days between the earliest recorded collection date in each batch to the bank deposit date was eight days; in 2021, that average increased to 34 days. For example, one bank deposit on February 22, 2021, totaling \$108,585, included real property taxes received between January 21, 2021 and February 1, 2021. In addition, deposits made in May and June 2021 included collections received in January 2021, far exceeding the 24-hour requirement.

Clerk Fees – The Clerk did not always accurately record Clerk fees and she did not deposit them in a timely manner. We compared the Clerk’s records to compositions of bank deposits from January 1, 2020 through March 31, 2021 – for a total of 99 transactions reviewed – and found the following discrepancies:

- 14 checks totaling \$793 were deposited but not recorded in the Clerk’s accounting records and, therefore, not reported as received.
- \$268 in cash was deposited that we could not specifically identify as being recorded during our audit period.
- 14 receipts totaling \$298 (10 receipts for cash totaling \$118 and four receipts for checks totaling \$180) were collected and recorded but not yet deposited by the end of our audit period.
- 16 receipts totaling \$243 were collected and recorded as cash payments that were actually paid for by check and deposited.

Although the Clerk told us she was aware of the time requirements for depositing real property taxes and Clerk fees, she told us she was unable to make timely deposits because of her office hours, the bank’s location and her full-time job. The Clerk told us she was often lax in recording these receipts. As a result, the Board did not always receive accurate monthly reports.

In addition, the Clerk did not prepare bank reconciliations or accountabilities in a timely manner. For example, as of April 5, 2021, the Clerk told us she had not prepared any bank reconciliations for either the Clerk or tax collector bank accounts in 2021. As a result, the Clerk was unaware that, as of April 5, 2021, the

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...[D]eposits made in May and June 2021 included collections received in January 2021. ...

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tax collector bank account was overdrawn by \$4,093. The account was overdrawn because deposits were not made timely and the Clerk was unaware of, and did not properly account for, bank chargebacks from real property tax payments with insufficient funds. Although the Clerk ultimately collected or relieved the money from the payers with insufficient funds and no bank fees were assessed during the audit period in the tax collector bank account, the untimely deposits put large amounts of money at unnecessary risk of loss or theft.

### **The Clerk Did Not Remit and Report Collections in a Timely Manner**

Real Property Taxes – In 2020, the Clerk remitted real property tax collections monthly instead of weekly as required. In 2021, the Clerk reported and remitted collections even less frequently. For example, according to canceled check images and the report the Clerk submitted to the County Treasurer, collections from February, March and April 2021 totaling \$219,716 were not remitted to the County Treasurer and Supervisor until May 2021. In addition, as of July 31, 2021, the final real property tax penalty payment totaling \$1,601 had not been remitted to the Supervisor even though the Clerk received her final collections on May 31, 2021. We reviewed the 2021 real property tax rolls and County settlement report and confirmed that the amounts recorded as paid reconciled to the payments made to the County Treasurer and amounts unpaid reconciled to the list of unpaid taxes.

The Clerk was unable to disburse the real property tax collections in a timely manner because the Clerk did not timely record and deposit collections. We were unable to reconcile collections on a month-to-month basis until the end of the collection period because of the untimely recording of receipts. For example, batches deposited as late as June 1, 2021 included collections recorded as received as early as January 27, 2021. At the end of the collection period in May 2021, there was an excess balance of \$1,342 (in addition to the \$1,601 owed to the Supervisor for collected penalties) in the bank account that did not reconcile to the final reports. This excess balance resulted from a taxpayer's double payment of \$1,465 that was deposited but not recorded, remitted or refunded; a \$200 bank error; and other minor discrepancies.

Clerk Fees – The Clerk reported Clerk fee collections monthly in a Clerk report given to the Supervisor for Board meetings. Although reported, the Clerk did not remit the fee collections in a timely manner to the Supervisor or other appropriate recipients. Out of the 15 months in the audit period, the Clerk remitted payments late to the Supervisor for four months and did not remit payments to the Supervisor for seven months. In addition, as of March 31, 2021, the Clerk had not remitted payments to other appropriate recipients for any collection received after February 2020. The Clerk remitted only \$216 of the \$1,291 reported as collected during the audit period to the proper recipients; the \$1,075 difference remained in the Clerk's bank account.

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...[A]s of July 31, 2021, the final real property tax penalty payment totaling \$1,601 had not been remitted to the Supervisor. ...

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The Clerk's bank account balance continued to increase during our audit period due to the untimely remittance of fees collected dating back prior to the audit period. As a result of our audit, the Clerk began reviewing prior years' Clerk reports to remit the unpaid balances to the appropriate recipients.

Further, these deficiencies continued to occur without detection because the Board did not ensure an annual audit of the Clerk's records and reports was performed. The Supervisor told us she was unaware that an annual audit of the Clerk was required.

Because the Board did not perform annual audits of the Clerk, its ability to effectively monitor financial operations was diminished. Had the Board conducted annual audits, it likely would have recognized the overdrawn tax collector bank account, the increasing Clerk bank account balance and other deficiencies and brought them to the Clerk's attention to encourage corrective action.

### What Do We Recommend?

The Clerk should:

1. Accurately record and deposit real property taxes collected within 24 hours of receipt and all Clerk fees within three days of when collections accumulate to more than \$250.
2. Remit real property tax collections to the Supervisor at least once each week until the Town's share of taxes is paid in full, and thereafter to the County Treasurer no later than the 15th day of each month following the date of receipt.
3. Remit the outstanding penalty payment to the Supervisor.
4. Refund the overpayment made by the taxpayer.
5. Remit Clerk fees to the Supervisor by the 15th of the month following collection.
6. Remit remaining money in the Clerk bank account to the appropriate parties.
7. Properly prepare monthly bank reconciliations and accountabilities.

The Board should:

8. Conduct an annual audit of the Clerk's records and reports.

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Because the Board did not perform annual audits of the Clerk, its ability to effectively monitor financial operations was diminished.

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# Appendix A: Response From Town Officials

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Town Of Coventry  
1839 State Highway 235  
Greene, NY 13778

Dan Davy  
Town Supervisor

Theresa A. Schultheis  
Town Clerk

March 14, 2022

[REDACTED]  
Auditor 3  
Division of Local Government  
And School Accountability

Dear Sir:

The Town Board has gone over the Town of Coventry's Town Clerk/Tax Collector Report. The Board has discussed the findings and has determined that they will audit the Town Clerks/Tax Collectors check books every 3 months. There was also discussion as to when deposits should be made, taking into consideration that there are no banks in the general vicinity of the Town Hall. The decision was made that the Town Clerk will make deposits once a week.

See  
Note 1  
Page 7

If you have any questions please feel free to contact me at 607-656-8602, Monday, Wednesday or Friday from 4-7 p.m. or Saturday 9 a.m. -12 p.m.

Sincerely,

Daniel Davy  
Coventry Town Supervisor

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## Appendix B: OSC Comment on the Town's Response

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### Note 1

New York State Town Law (Town Law) Section 35 requires all real property taxes collected to be deposited within 24 hours of receipt, and Town Law Section 30 requires all Clerk fees collected to be deposited within three business days after total collections exceed \$250. If the Clerk cannot go to the bank during regular business hours, she could consider other options such as night deposits and/or electronic check deposits.

# Appendix C: 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 the Clerk and Town officials to gain an understanding of internal controls over collecting, recording, depositing, remitting and reconciling money collected by the Clerk and to determine whether policies and procedures were in place for Clerk and tax collection operations.
- We reviewed the Board meeting minutes and 100 percent of the accounting software reports, bank statements and deposit compositions for the Clerk's account from January 2020 through March 2021 to determine whether money was received, recorded, reported and deposited in a timely manner. We also used these sources to determine whether Clerk fees were disbursed accurately and to the proper recipients in a timely manner.
- We interviewed the Clerk to determine the types of fees collected and how those fees were established.
- We reviewed 100 percent of the tax collector's transaction journals and bank statements from the 2020 and 2021 collection periods to determine whether deposits were made in a timely manner. We reviewed bank deposit compositions for the tax collector's account from February, March and April 2021 to determine whether deposits were made intact.
- We reviewed 100 percent of the disbursements from the tax collector bank account from January 2020 through June 2021 to determine whether real property tax collections were remitted to the appropriate officials in a timely manner.
- We reviewed the 2021 real property tax rolls County settlement report to determine whether the paid and unpaid reports and final payment reconciled.
- We used our professional judgment to select 50 tax collection transactions within the penalty periods of 2020 and 2021 to determine whether penalties were correctly calculated and collected. We reviewed receipts and transaction journals to determine when payments were received and which penalty percentage should have been applied. We selected 10 payments from each month of February 2020, March 2020, April 2020, February 2021 and March 2021.
- From a population of 1,126 taxable parcel properties, we selected 48 properties and mailed confirmation letters to the owners of the properties to determine whether the Clerk accurately recorded transactions in the accounting software. We requested confirmation of the payment date, amount (including penalties, if applicable) and method (i.e., cash, check or both). For our sample selection, we used our professional judgment to

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select six payments recorded in February 2021 as being paid with cash in January 2021; and 42 payments recorded in April 2021 as being paid by a combination of check and cash in February 2021 and March 2021.

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 D: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf](http://www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf)

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

[www.osc.state.ny.us/local-government/publications](http://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](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](http://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](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/files/local-government/publications/pdf/cyber-security-guide.pdf](http://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](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](http://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](http://www.osc.state.ny.us/local-government/academy)

## Contact

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