



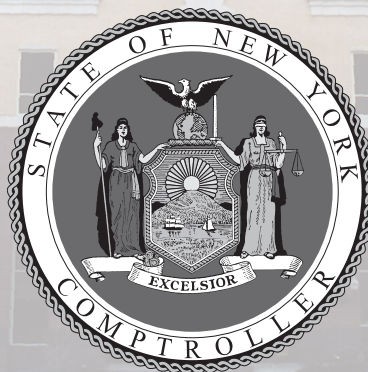
Prattsburgh Central School District Tax Collection

Report of Examination

Period Covered:

July 1, 2014 – March 17, 2016

2016M-122



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

June 2016

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' 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 district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Prattsburgh Central School District, entitled Tax Collection. 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 audit's results and recommendation are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Prattsburgh Central School District (District) is located in the Towns of Prattsburgh, Pulteney, Urbana and Wheeler in Steuben County and the Towns of Italy and Jerusalem in Yates County. The District is governed by the Board of Education (Board), which is composed of five elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with other administrative staff, for the day-to-day management of the District under the Board's direction.

The District operates one school with approximately 400 students and 100 employees. The District's budgeted appropriations for the 2015-16 fiscal year are \$9.8 million, which are funded primarily with State aid, real property taxes and grants. The District collected approximately \$2.65 million in taxes for the 2015-16 fiscal year.

Objective

The objective of our audit was to verify the accuracy of the District's tax collection. Our audit addressed the following related question:

- Did the Tax Collector receive, record, deposit and report real property tax moneys collected in an accurate and timely manner?

Scope and Methodology

We examined the tax collection of the Prattsburgh Central School District for the period July 1, 2014 through March 17, 2016.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such 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.

Comments of District Officials and Corrective Action

The results of our audit and recommendation have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials agreed with our finding and indicated they will take corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of General Municipal Law, Section 2116-a (3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, with a copy forwarded to the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. 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. The Board should make the CAP available for public review in the District Clerk's office.

Tax Collection

The District's Tax Collector is responsible for sorting and mailing tax bills and receiving, recording, depositing and reporting all tax moneys collected in an accurate and timely manner. Proper tax collection requires maintaining complete and accurate records and reports, retaining documents to support moneys collected, and promptly depositing moneys received into the proper bank account. The Board is required to deliver to the Tax Collector a school tax roll together with a warrant authorizing the collection of taxes prior to the start of the collection process.¹ If any taxes remain unpaid at the end of the collection period, the Tax Collector is required to return the school tax roll and warrant to the Board, along with a statement of the unpaid taxes and description of the properties on which the taxes remain unpaid.

When the Tax Collector receives a tax payment in person, she stamps the top half of the tax bill as paid, initials it, and returns it to the taxpayer as a receipt. If the payment is received in the mail, a receipt is provided on request. In both cases, the District retains the bottom portion of the tax bill as a record of payment. After the Tax Collector receives the payments and records them in the tax collection software, she provides the collections to another District employee to take to the bank. The bank deposit slips are returned to the Tax Collector for reconciliation with the daily tax collection report printed from the tax collection software. Additionally, the Tax Collector does not have access to the District's tax bank account; access is limited to four District employees. The District Treasurer is responsible for reconciling the tax bank account on a monthly basis, recording the transactions in the District's accounting records and transferring the moneys into the District's general fund bank account.² At the end of the tax collection period, the District Treasurer and Tax Collector together reconcile the total tax collection to the tax levy to verify that all payments were properly received, recorded and deposited, and prepare a list of any unpaid taxes to be provided to the respective counties for relevy in the counties' following fiscal year. After the reconciliation is completed, the Tax Collector completes the statement of unpaid taxes (which the District identifies as delinquent tax forms) that are submitted to the counties.³

¹ In the case of a tax voted at an annual school meeting for school purposes during the following fiscal year, the warrant must be annexed to the school tax roll on or before September 1.

² The District Treasurer was the only employee who initiated transfers from the tax bank account during our audit period.

³ The forms must be filed with the counties by November 15.

We tested the 2015-16 tax collection totaling approximately \$2.65 million and found that the Board did not provide the Tax Collector with a warrant prior to the start of the tax collection process. However, the Tax Collector received, recorded and provided the taxes collected for deposit in accordance with the District's approved budget and tax worksheet prepared by the Superintendent. We commend District officials for developing procedures to ensure that tax collections are secure.

Recommendation

1. The Board should prepare and present a warrant to the Tax Collector prior to the start of the collection process.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

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FRANKLIN ACADEMY

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May 20, 2016

Office of the State Comptroller
Chief Examiner
The Powers Building
16 West Main Street – Suite 522
Rochester, New York 14614-1608

District Response and Corrective Action Plan

Dear Chief Examiner:

DISTRICT RESPONSE

We have received our draft report and audit recommendation. We agree with the singular finding and will comply beginning with the ensuing tax collection season.

We greatly appreciate the technical assistance and professionalism of the audit team.

CORRECTIVE ACTION PLAN

Unit Name: **Prattsburgh Central School District**

Audit Report Title: **Tax Collection**

Audit Report Number: **2016M-122**

For the recommendation included in the audit report, the following is our proposed corrective action plan.

Audit Recommendation: The Board should prepare and present a warrant to the Tax Collector prior to the start of the collection process.

Implementation Plan: The district and Board of Education will comply with the recommendation beginning with the 2016-2017 fiscal year.

Respectfully Submitted, /

Jeffrey A. Black, Ed.D.
Superintendent of Schools

Cc: Board of Education
District Clerk

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We reviewed the District's Board meeting minutes and policies and procedures over tax collection.
- We interviewed the Tax Collector and other District officials to gain an understanding of the internal controls over collecting, recording, depositing and reconciling real property taxes.
- We reviewed all the daily tax collection reports for the 2015-16 tax collection and compared them to the bank deposits and accounting records to determine whether all moneys were properly deposited and recorded.
- We reviewed a random sample of 27 tax bills totaling approximately \$24,000 to determine whether they were properly received and deposited in a timely manner. For those paid during the penalty period, we determined whether the penalties were properly charged and deposited. For those that had not been paid, we determined whether they were properly included on the relevy list.
- We reviewed a judgmental sample of six higher-risk taxpayers (the Superintendent, Assistant Superintendent, Tax Collector, Deputy Tax Collector, District Clerk and Board President) to determine whether their bills were paid in full and properly deposited into the District's bank account. We selected these officials because of their involvement in the District's financial operations.
- We tested a random sample of 20 payments that were made after the penalty period took effect, totaling approximately \$22,000, to determine whether penalties were properly charged and deposited into the District's bank account and unpaid taxes were included on the relevy list.
- We verified that adjustments to the tax account were approved and proper.

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.

APPENDIX C

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