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April 2018

Harold Snopek, Supervisor  
Members of the Town Board  
Town of Chenango  
1529 State Route 12  
Binghamton, NY 13901

Report Number: P4-17-32

Dear Supervisor Snopek 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 Chenango (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 September 6, 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 Assessor did not properly administer select real property tax exemptions. Specifically, the Assessor did not maintain adequate supporting documentation and incorrectly 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 \$29,656. 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, covers approximately 34 square miles and has approximately 11,300 residents. The Town's 2017 budgeted appropriations for the General and Highway funds was approximately \$4.4 million. Major costs included road maintenance and improvements, snow removal and general government support. These costs are funded primarily through real property taxes, sales tax distributed by the County, user fees and State aid.

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 had approximately 5,200 parcels totaling \$484 million in total taxable assessed value in 2016, with 898 Agricultural, Senior Citizens and Veterans exemptions totaling \$14.1 million. The current Assessor was appointed in November 2016 and works 160 hours per month.

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 be periodically verifying farm income to ensure the property remains eligible.

We reviewed nine properties receiving 10 Agricultural exemptions and found that eight lacked one or more pieces of supporting documentation. Specifically, all eight lacked proof of income while two also lacked original applications and soil group worksheets. These property owners may have inappropriately received \$10,800 in County, Town and School tax reductions for fiscal year 2017. The Assessor also granted two Agricultural building exemptions to the same structure, resulting in the property owner inappropriately receiving \$2,300 in 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.

Thirteen of the 36 properties we reviewed receiving a Senior Citizens exemption lacked one or more pieces of supporting documentation. Specifically, 12 properties lacked proof of age, three lacked income support, two lacked an original application and two lacked a 2016 renewal form. These property owners may have inappropriately received a total of \$7,900 in County, Town and School tax reductions for fiscal year 2017. Furthermore, one of these property owners received the maximum exemption amount even though they did not apply for a Senior Citizens exemption and submitted income support for a different exemption totaling twice the maximum allowable income limit. Another property received the exemption although the Assessor noted on the renewal form that the owner lived out of state.

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. Furthermore, disabled veterans may receive an additional exemption based on supporting documentation.

We reviewed 55 properties receiving 69 Veterans exemptions and found six misclassified exemptions, resulting in four property owners inappropriately receiving \$283 in County and Town tax reductions, while the remaining two paid \$98 more than necessary in County and Town taxes for fiscal year 2017. Additionally, we found six disability exemptions were not calculated correctly, resulting in one property owner inappropriately receiving \$90 in County and Town tax reductions, while five paid \$128 more than necessary in County and Town taxes for fiscal year 2017. We also found one property receiving a Veterans exemption was ineligible, resulting in the property owner inappropriately receiving \$180 in County and Town tax reductions for fiscal year 2017. Another Veteran who applied for the additional disability exemption in 2003 has still not received it, resulting in the owner paying \$87 more than necessary in County and Town taxes for fiscal year 2017. Lastly, we found one property receiving two Veterans exemptions; however, there was no support for one of them. This property owner may have inappropriately received \$108 in County and Town tax reductions for fiscal year 2017.

We reviewed the assessment roll and found an additional 16 properties receiving two Veterans exemptions and determined that 14 of the 32 exemptions lacked supporting documentation. These property owners may have inappropriately received \$1,723 in County and Town tax reductions for fiscal year 2017. We also found that another property owner did not have the exemption applied to the Town taxable assessment, resulting in the owner paying \$31 more in Town taxes for fiscal year 2017. Lastly, the current maximum allowable limits granted in the Real Property Tax System were 100 percent more than allowed by the Town’s local law. We reviewed the 2017 tax roll and found an additional 535 Veterans exemptions exceeded the Town’s limits, resulting in property owners inappropriately receiving \$6,272 in Town tax reductions for fiscal year 2017. Town officials stated the local law was passed in 1996 to amend the previous maximum allowable limits from 1984; however, the dollar amounts were never changed in the law.

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 1,912 of these exemptions on the 2016 assessment roll, collectively reducing the taxable assessed value by more than \$30 million. We found exceptions with 139 of the 248 granted exemptions reviewed (Figure 1). These properties with exceptions had their total taxable assessed value reduced by more than \$2 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	906	\$13,569,662	110	38	\$763,563
Town	898	\$14,138,534	115	87	\$1,048,983
School	108	\$2,381,948	23	14	\$366,163
<b>Totals</b>	<b>1,912</b>	<b>\$30,090,144</b>	<b>248</b>	<b>139</b>	<b>\$2,178,709</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 (56 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 types is approximately 3 percent of the Town's taxable assessed value. Many of these errors began prior to the current Assessor's term, and continue unresolved.

## **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 pages.

# TOWN OF CHENANGO

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December 6, 2017



Division of Local Government and School Accountability

Unit Name: Town of Chenango  
Audit report Title: Town of Chenango Audit Report  
Report Number: P4-17-32

Dear [REDACTED] and the Binghamton Regional Office:

The Town of Chenango received your email and draft report on November 10, 2017 in reference to the NYS Comptroller's Office Audit in September of 2017 and is in agreement with the findings.

As the Comptroller's Office personnel were conducting the audit, the Town of Chenango Assessor's Office made corrections to all of the errors that were brought to their attention.

The following items are the recommendations from your office followed by the response that has been implemented on or before November 20, 2017 by the Assessor, Scott Russell:

1. Ensure all applicants provide adequate supporting documentation before granting exemptions. The renewal letters for exemptions and any new applicants will have information of the specific documentation required in or to receive the exemption(s) and the employees that receive them have been informed of the requirements.
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. All Local laws have been updated to match the current scales used as of November 20, 2017 and the Assessor's Office reached out to the schools to make sure we have all of their current scales they have approved.
3. Maintain documentation to support eligibility for all exemptions. All updated documentation received for exemption will be in the respective file and employees that receive said documentation have been informed.
4. Annually verify income to support Agricultural and Senior Citizens exemptions. Income support has been inserted into the renewal letters for verification requirement on exemptions and employees that receive the paperwork have been informed.
5. Ensure previously granted exemptions are supported and continue to meet eligibility requirements. The Assessor's Office is in the process of reviewing all veteran's exemptions and will move on the senior exemptions when the veteran's exemptions are completed.

6. Review the assessment roll exemption summary annually for noticeable errors and make necessary changes. The Assessor's Office will review the Final Roll annually for noticeable errors.
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 is in preliminary discussions with the Town Attorney regarding how to handle and prepare for the outcome from the erroneous exemptions from the past.

As to explain the solution for each exemption:

The Agricultural Exemption renewal forms that are sent out in December of 2017 will have a letter attached stating that all renewals will need to have the income for the previous two years submitted in documentation with the application form complete by March 1, 2018 or the exemption will not continue. This will resolve the recommendation to verify annual income for Agricultural Exemptions.

The Senior Citizens Exemption portion of the audit had a range of issues from age verification, income verification, and forms not on file. Any errors that could have been fixed at the time it was brought to the Assessor's Office attention were adjusted. To resolve the other items, the Assessor's Office will notify new applicants and renewing applicants that we will need a copy of driver's licenses for proof of age from all applicants listed on the form, proof of income for all applicants on the form, and the proper forms filed accordingly. These actions will resolve the recommendations for the Senior Citizen Exemptions. As time allows, the Town of Chenango Assessor's Office will review all of the Senior Exemptions to assure all are correct.

The Alternate Veteran's Exemption portion of the audit had numerous items that were incorrect. Any items that were brought to the Assessor's Office attention and could be corrected were done immediately. Due to the percentage of the Veteran's Exemptions that were found erroneous from the sample taken by the Comptroller's Office, the Town of Chenango Assessor's Office has decided to review all of the Veteran's Exemptions on record to assure all are correct prior to the Tentative Roll for 2018 being set.

In closing, the Town of Chenango Assessor's Office has taken the audit as a positive review to find errors in the exemptions and an opportunity to learn. The Comptroller's Office personnel were a pleasure to work with and we appreciate their time and efforts. The Assessor's Office will continue to take the recommendations from the Comptroller's Office and put them into action. Having the exemptions correct will be an additional step to insure a balanced tax roll in the future.

Respectfully,

Hal Snopce  
Town Supervisor  
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Binghamton, NY 13901  
supervisor@townofchenango.com  
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Fax: 607-648-8511

## 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 current Assessor and Town officials about the real property exemption process and record keeping requirements.
- We judgmentally selected all nine properties with an Agricultural exemption totaling \$1.2 million in assessed value for further testing. We reviewed the original application<sup>4</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 all six 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 36 properties with a Senior Citizens exemption totaling \$2.8 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 amounts. We then calculated the tax dollar effect of any exceptions found.
- We randomly selected 55 properties with a Veterans exemption totaling \$4.8 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 then calculated the tax dollar effect of any exceptions found.
- We reviewed the assessment roll for any apparent irregularities in exemptions granted and selected 17 properties with an assessed value of \$1.7 million. 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 then calculated the tax dollar effect of any exceptions found.
- We reviewed the 2017 Town tax roll to determine the number of Alternative Veterans exemptions receiving the maximum allowable exemption amount and compared these to the Town's local law to determine the tax dollar effect of the maximum allowable limits being 100 percent above the limit.

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<sup>4</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.