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April 2018

George Raymond, Supervisor  
Members of the Town Board  
Town of Greene  
51 Genesee Street  
Greene, NY 13778

Report Number: P4-17-31

Dear Supervisor Raymond 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 Greene (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 August 17, 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 \$23,300. 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 Chenango County, includes the Village of Greene, covers 76 square miles and has approximately 5,600 residents. The Town's 2017 budgeted appropriations totaled \$2.3 million. Major costs included road maintenance and improvements, snow removal, water distribution, sewage treatment 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, Village 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 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 has approximately 3,000 parcels totaling \$289 million in total taxable assessed value in 2016, with 560 Agricultural, Senior Citizens and Veterans exemptions totaling \$8.8 million in assessed value. The current Assessor was appointed on August 10, 2017 and also serves two other towns. The Assessor holds office hours 64 hours per month, whereas the former Assessor held office hours for 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 retain supporting documentation for those granted exemptions and consult with the New York

State Office of Real Property Tax Services (ORPTS) or the Chenango 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. 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.

Eighteen 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. Specifically, 16 properties did not have an original application, eight properties lacked a 2016 renewal, seven properties lacked income support and five properties lacked a soil productivity worksheet. These property owners may have inappropriately received \$15,400 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.

All 10 properties we reviewed receiving a Senior Citizens exemption lacked one or more pieces of supporting documentation. For example, one property did not have an original application, income support, proof of age or 2016 renewal form. Further, nine properties lacked proof of age eligibility, eight lacked an original application, seven lacked income support and one lacked a 2016 renewal. These property owners may have inappropriately received a total of \$6,900 in County, Town and School tax reductions for fiscal year 2017 and Village tax reductions for fiscal year 2018.

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 were 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 30 properties receiving 31 Veterans exemptions and found eight exemptions lacked supporting documentation. Specifically, three exemptions did not have any supporting documentation on file, three were misclassified and received a higher exemption than allowable and two exemptions were granted without support for the nature of the discharge. These property owners may have inappropriately received \$1,000 in County and Town tax reductions for fiscal year 2017 and Village tax reductions for fiscal year 2018.

Furthermore, we reviewed the assessment roll for any irregularities and found one property owner did not receive the exemption amount that they qualified for, and another did not receive the exemption on the County portion of their taxes. Additionally, the Assessor applied the disability percentage incorrectly for two supported exemptions on one property. These errors resulted in the property owners paying \$340 more in Village, Town and County taxes than necessary.

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 1,342 of these exemptions on the 2016 assessment roll, collectively reducing the taxable assessed value by almost \$22 million. We found exceptions with 102 of the 157 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	469	\$7,158,501	54	33	\$681,508
Town	563	\$8,871,403	61	37	\$786,357
Village	99	\$1,057,329	17	9	\$127,540
School	211	\$4,731,105	25	23	\$623,608
<b>Totals</b>	<b>1,342</b>	<b>\$21,818,338</b>	<b>157</b>	<b>102</b>	<b>\$2,219,013</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 (65 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 3 percent of the Town’s taxable assessed value. All of these errors began prior to the current Assessor’s term.

**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 Chenango 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.

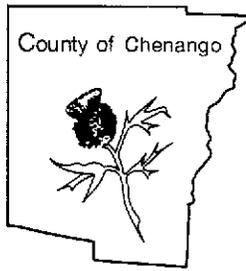
Sincerely,

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 GREENE**  
**County of Chenango**  
Town Hall  
51 Genesee Street  
Greene, N.Y. 13778  
(607) 656-4191



October 20, 2017

Mr. H. Todd Eames, Chief Examiner  
Division of Local Government and School Accountability  
Office of the State Comptroller  
State Office Building, Room 1702  
44 Hawley Street  
Binghamton, NY 13901-4417

Dear Mr. Eames:

I have received and reviewed the Draft Report, "Report Number P4-17-31" dated October 12, 2017, regarding the audit of the Town of Greene's administration of property tax exemptions for Agriculture, Senior Citizens and Veterans. The findings outlined in this report appear to be accurate.

The Town of Greene will review all current property tax exemptions to insure their validity and that the proper documentation is on file for each exemption. To begin this process letters requesting relevant information regarding Agricultural exemptions has already been drafted and will be mailed in the next thirty days. The Town of Greene will also implement the specific recommendations included in this report.

Sincerely,

George (Pete) Raymond  
Town 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, monthly Assessor reports and applicable local legislation to gain an understanding of the audit scope. We inquired with the current Assessor and Town Supervisor 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>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 15 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 10 properties with a Senior Citizens exemption totaling \$909,000 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 30 properties with a Veterans exemption totaling \$3.3 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 three properties with an assessed value of \$377,400. 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 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.

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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)