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April 2018

William Elsey, Supervisor  
Members of the Town Board  
Town of Springfield  
129 County Road 29A  
Springfield, NY 13468

Report Number: P4-17-27

Dear Supervisor Elsey 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 Springfield (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 May 18, 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 and current Assessor did not properly administer select real property tax exemptions. Specifically, they did not maintain adequate supporting documentation and incorrectly calculated or 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 \$24,700. If exemptions were not properly granted, it could have resulted in higher property tax bills for other residents. Additionally, the County did not update the real property tax system to reflect a 2007 local law, resulting in residents receiving certain Veterans exemptions paying higher tax bills. 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 Otsego County, covers 45 square miles and has approximately 1,400 residents. The Town's 2017 budgeted appropriations totaled \$960,000. Major costs included road maintenance and improvements, snow removal and general government support. These costs are funded primarily through real property taxes and sales tax distributed by the County.

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 determining 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 1,200 parcels totaling \$178 million in total taxable assessed value in 2016, with 338 Agricultural, Senior Citizens and Veterans exemptions totaling \$6.2 million in assessed value. The current Assessor was appointed at the end of 2014 and also serves one other town. The Assessor works 10 hours per month at the Town.

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 Otsego 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 periodically verify farm income to ensure the property remains eligible.

All 20 of the properties we reviewed receiving an Agricultural exemption lacked one or more pieces of supporting documentation to verify the eligibility of these exemptions. For example, one property did not have an original application, proof of income, soil group worksheet or 2016 renewal form. All 20 properties lacked supporting documentation to show the farming operations met the income requirements, 16 did not have an original application, six did not have a soil productivity worksheet and two did not have a 2016 renewal. We also found three properties had expired leases or lease affidavits with no additional documentation indicating the leases were renewed. Additionally, all five agricultural structure exemptions tested lacked supporting documentation. These property owners may have inappropriately received \$15,500 in County, Town and School tax reductions for fiscal year 2017.

Furthermore, of the \$15,500 in exceptions, three totaling \$9,700 in County, Town and School tax reductions for fiscal year 2017 increased 1,089 percent in exempt value on the 2016 assessment roll from the 2015 assessment roll due to an error in the real property tax system. The Assessor removed two of these exemptions and significantly lowered the remaining exemption on the 2017 assessment roll. However, we cannot determine whether the remaining amount was proper because there was no soil group worksheet on file. 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.<sup>4</sup> 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. Additionally, all owners or trustees of a property must meet the requirements to be eligible for the exemption, unless the property is retained for life use by a person otherwise eligible for the exemption. Corporations cannot meet requirements for the Senior Citizens exemption.

All 10 of the properties we reviewed receiving a Senior Citizens exemption lacked one or more pieces of supporting documentation to verify the eligibility and accuracy of these exemptions.

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<sup>4</sup> Town officials were unable to provide the local law establishing the income limit of \$16,000. However, this amount has been used since at least 2009, so we used it for testing purposes.

Specifically, nine lacked proof of age eligibility, six lacked income support, three did not have a 2016 renewal form on file and one received the exemption although the supported income was greater than the threshold. This may have resulted in property owners inappropriately receiving a total of \$7,800 in County, Town and School tax reductions for fiscal year 2017. Additionally, one property is owned by a corporation with the former residential property owner listed as a co-owner. Town officials could not provide documentation to verify whether the property is properly held in trust or retained for life use by the person. Therefore, we could not determine whether the property is inappropriately receiving the exemption because a corporation cannot satisfy the age requirement.

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 20 properties receiving 23 Veterans exemptions and found 12 exemptions lacked supporting documentation and two exemptions were improperly classified based on supporting documentation. These property owners may have inappropriately received \$1,400 in County and Town tax reductions for fiscal year 2017. Furthermore, the County did not update the Real Property Tax System to reflect a 2007 local law granting residents who served during the Cold War era an exemption on the Town portion of their tax bill, resulting in four property owners paying \$71 more in Town taxes for fiscal year 2017.

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 933 of these exemptions on the 2016 assessment roll, collectively reducing the taxable assessed value by almost \$18 million. We found exceptions with 133 of the 148 exemptions reviewed (Figure 1). These properties with exceptions had their total taxable assessed value reduced by more than \$4.2 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                       | 343                                   | \$6,683,644                               | 58                                       | 50  | \$1,541,812                               |
| Town                         | 338                                   | \$6,231,840                               | 57                                       | 50  | \$1,498,831                               |
| School                       | 252                                   | \$4,862,917                               | 33                                       | 33  | \$1,238,834                               |
| <b>Totals</b>                | <b>933</b>                            | <b>\$17,778,401</b>                       | <b>148</b>                               | <b>133</b>                                | <b>\$4,279,477</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 (90 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 approximately 4 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 Otsego 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 Springfield  
PO Box 176  
Springfield Center, NY 13468

Bill Eley, Supervisor  
Office: 315-858-2186  
Cell: 607-267-7109  
Email: [springfieldsupervisor@gmail.com](mailto:springfieldsupervisor@gmail.com)

November 7, 2017

Gabriel F. Deyo  
Deputy Comptroller  
OSC  
110 State Street  
Albany, NY 12236

**Re: Report Number: P4-17-27**

Dear Deputy Comptroller:

### **RESPONSE TO AUDIT OF SPRINGFIELD ASSESSMENT RECORDS**

The assessor and the town supervisor have reviewed the findings of this audit and have had an exit interview with the auditors. We agree with the findings, and the assessor has begun remedial actions.

In addition, the assessor has met with the town board in executive session to discuss this audit.

### **CORRECTIVE ACTION PLAN**

#### **Assessor will**

1. Request and review all necessary documentation before granting exemptions. She has drafted a letter which will be sent to all current exemption holders requesting that they provide documentation. This letter is first being sent to taxpayers identified during the audit process. Other exemptions will be reviewed as time permits.
2. Apply statutory provisions to all exemptions, particularly to those identified during the audit.
3. Maintain documentation for all exemptions.
4. Request annual documentation of income for Agricultural and Senior Citizen exemptions
5. Review previously granted exemptions for continued eligibility. This review will include a request to the town clerk to provide copies of all death certificates.
6. Review the annual exemption summary for errors and make necessary changes to correct such errors.

**Town board**

7. Has made the town attorney aware of the errors in past year exemptions. The attorney is aware that there may be legal impacts and/or financial impacts to the town, but does not believe there is any action that currently can or should be taken.

Sincerely,

Bill Eisey, Supervisor  
Town of Springfield

## 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 Assessor about the real property exemption process and record keeping requirements.
- We randomly selected 20 properties with an Agricultural exemption totaling \$3.9 million in assessed value for further testing. We reviewed the original application<sup>5</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 14 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 \$1.8 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 recalculated the exemption amount based on supported income and then calculated the tax dollar effect of any exceptions found.
- We randomly selected 20 properties with a Veterans exemption totaling \$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 reviewed the assessment roll for any apparent irregularities in exemptions granted and selected all three additional properties receiving a certain Veterans exemption totaling \$638,400 in assessed value that did not appear to be applied against all eligible tax assessments. We then calculated the taxable effect of these errors.

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>5</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)