

Town of Covington

Tax Collection Remittance

P1-24-24 | January 2025

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Report Highlights

Town of Covington

Audit Objective

Determine whether the Town of Covington (Town) Tax Collector remitted all collections as required by New York State Town Law (Town Law).

Key Findings

The Tax Collector did not remit collections to the Town Supervisor (Supervisor) and Wyoming County (County) Treasurer within the timeframes established by Town Law Section 35. As a result, funds were not provided to finance Town and County operations in a timely manner.

- The Tax Collector did not remit taxes to the Supervisor at least weekly and as required by Town Law.
- The Tax Collector made one payment totaling approximately \$800,000 to the County Treasurer in April 2024, instead of paying three separate required payments totaling \$706,991 in February, \$53,702 in March and \$36,747 in April.
- As of September 25, 2024, the Tax Collector had not yet remitted approximately \$1,600 in interest and penalties to the Supervisor, which were collected for late real property tax payments.

Recommendations

The audit report includes three recommendations that, if implemented, will improve the Town’s tax collection practices.

Town officials agreed with our recommendations and indicated they planned to initiate corrective action.

Audit Period

January 1, 2024 – October 2, 2024

Background

The Town is located in Wyoming County and is governed by an elected five-member Town Board (Board), which includes the Supervisor.

The Board is responsible for overseeing Town finances and operations, including overseeing the elected Tax Collector’s operations. Also, the Board is required by Town Law Section 123 to conduct an annual audit of the Tax Collector’s records.

The Tax Collector is a separately elected official who is responsible for collecting and remitting Town and County real property taxes to the Supervisor and County Treasurer.

The Tax Collector collects real property taxes from January 1 through March 31 each year. After that, the County collects any overdue taxes.

Quick Facts

2024 Real Property Taxes Collected	\$1.6 million
Taxable Parcels	706
Resident Population	1,253

Tax Collections

What Are the Remittance Requirements of Town Law?

Town Law Section 35 requires a tax collector to remit collections (including any interest and penalties, received and deposited) to the town supervisor at least once each week, or at more frequent times as may be specified by a resolution of a town board, until the town's portion of the real property tax levy is paid in full. After the town's portion of the warrant is fully collected and remitted, Town Law Section 35 also requires the tax collector to remit all additional tax collections to the county treasurer no later than the 15th day of each month following the date of receipt. When collections are not remitted as required, funds will not be available to finance operations, and they can be at risk of being lost, stolen or used for unauthorized purposes.

Collections Were Not Remitted as Required

We reviewed all tax collection remittances totaling approximately \$1.6 million made to the Supervisor and County Treasurer for the 2024 fiscal year and determined that the Tax Collector did not make remittances in accordance with Town Law Section 35. The Tax Collector should have made weekly remittances until the Town's portion of the real property tax levy was satisfied. Therefore, the Tax Collector should have remitted five payments to the Supervisor in January 2024. Instead, the Tax Collector remitted one payment totaling \$344,000 to the Supervisor on January 20, 2024 and another payment to the Supervisor totaling \$429,970 on January 29, 2024.

In addition, with the Town's portion of the tax levy being satisfied, the Tax Collector should have remitted \$706,991 to the County Treasurer by February 15, 2024, \$53,702 by March 15, 2024 and \$36,747 by April 15, 2024, with the last one being a final settlement payment. Instead, the Tax Collector made one single payment totaling \$797,440 to the County Treasurer on April 12, 2024.

The Tax Collector told us that she did not remit collections to the Supervisor weekly or to the County Treasurer monthly because a former tax collector trained her to remit tax collections to the Supervisor when a "sizable amount" of taxes were collected and to make one payment to the County Treasurer when settling for the year. Regardless, the County Treasurer gave the Tax Collector specific written instructions at the beginning of the 2024 collection cycle that included the required deadlines for remittances to the Supervisor and County Treasurer. Therefore, the Tax Collector was aware of the statutory deadlines and should have made remittances as required.

Also, an independent audit of the Tax Collector's 2023 records did not include findings or recommendations concerning late remittances, even though the Tax Collector did not make remittances to the Supervisor and County Treasurer for 2023 tax collections when required. The Supervisor told us that he and the Board relied on the work of the independent auditor because they did not have auditing experience. The Supervisor also said that he and the Board were concerned that the independent auditor did not identify the same findings that we brought to their attention. We provided the Supervisor

with OSC's publication *Local Government Management Guide – Fiscal Oversight Responsibilities of the Governing Board* (Figure 1) which discusses the Board's audit responsibilities and provides guidance and resources for conducting an audit of the Tax Collector's records.

In addition, as of September 2024, the Tax Collector still had approximately \$1,600 in her bank account in interest and penalties collected for late real property tax payments, which were due to the Supervisor. She told us that she was still holding these funds because she was unsure when the interest and penalties should be remitted to the Supervisor. She thought the account required a running balance, but Town Law requires the Tax Collector to remit all real property tax collections, including interest and penalties, to the Supervisor on a weekly basis.

Because the Tax Collector did not remit tax collections as required, funds were not available to finance Town and County operations in a timely manner. Also, the delays increased the risk that the funds could be lost, stolen or used for unauthorized purposes.

What Do We Recommend?

The Board should:

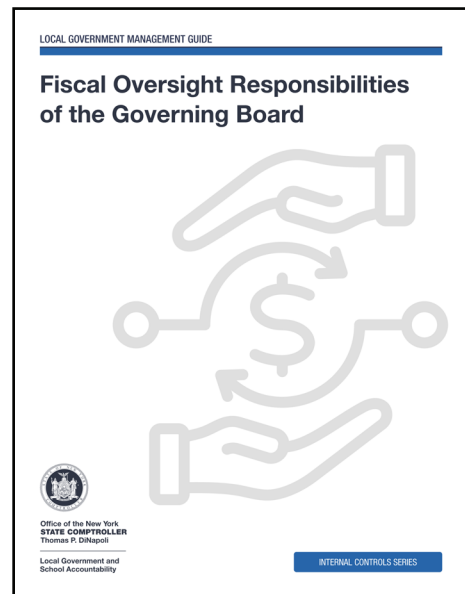
1. Review the publication linked in this report to become more familiar with its required audit responsibilities and what the annual audit should include.

The Tax Collector should:

2. Remit collections to the Supervisor and County Treasurer within the timeframes established by Town Law.
3. Remit to the Supervisor all unremitted interest and penalties still being held from the 2024 collection cycle.

FIGURE 1

OSC Publication



Access this publication at: <https://www.osc.ny.gov/files/local-government/publications/pdf/fiscal-oversight-responsibilities-of-the-governing-board.pdf>

Appendix A: Response From Town Officials

Town of Covington

December 18, 2024

Attention: Melissa A. Myers, Chief of Municipal Audits
Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor
Albany, New York 12236

RE: **Town of Covington Tax Collection Remittance Audit # P1-24-24**

Dear Ms. Myers:

We are in receipt of the above referenced draft audit, and have met with [REDACTED] and the audit team on December 11, 2024 to review the findings of the audit. We would like to thank the auditors for bringing to our attention the below issues that require our attention, and following those, please also find our plan for addressing same.

1. The Board should: Review the OSC Publication "Local Government Management Guide – "Fiscal Oversight Responsibilities of the Governing Board" to become more familiar with its required audit responsibilities and what the annual audit should include. **Our Town Board takes its fiscal oversight responsibilities seriously, and has for multiple years utilized the services of a retired OSC auditor to review our books, policies and procedures. We will direct our auditor to pay particular attention to adherence to the remittance schedules contained in Town Law 35 to ensure compliance with same. We also take responsibility for properly training and directing employees of the Town, including the Tax Collector.**
2. The Tax Collector should: Remit collections to the Supervisor and County Treasurer within the timeframes established by Town Law. 35. **The Tax**

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Collector will remit collections as per the procedures outlined on Town Law 35.

3. Remit to the Supervisor all unremitted interest and penalties still being held from the 2024 collection cycle. This was completed on 12/19/2024.

We would like to thank the audit team for bringing these issues to our attention, and for their diligence and support throughout the audit process.

Sincerely:

Nathan L. Rudgers
Supervisor

Amanda Streamer
Tax Collector

Appendix B: Audit Methodology and Standards

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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed Town officials who were responsible for the tax collection remittance process. We also reviewed the Board's meeting minutes and tax collection documentation to gain an understanding of the remittance process.
- We reviewed the 2024 tax warrant issued by the County to determine the Town's share of the total tax warrant.
- We reviewed the most recent (2023) external audit report for the Tax Collector's records to determine whether it contained recommendations for the tax collection remittance process. We also reviewed the corresponding 2023 bank statements to determine whether the Tax Collector remitted real property tax collections to the Supervisor and County Treasurer as required by Town Law.
- We reviewed all tax collection receipts (receiver's stubs) for the 2024 collection cycle and corresponding deposit receipts to determine how much was collected and when it was deposited. We compiled and listed these collections by date collected to determine when payments should have been made to the Supervisor and County Treasurer.
- We calculated when the Town's share of the tax warrant could have been satisfied, when payments to the County Treasurer could have taken place and the amount that the payments should have been.
- We reviewed the Tax Collector's 2024 bank statements, including canceled check images, to determine the amount and dates of payments issued to the Supervisor and County Treasurer.

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.

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 Town Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf

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

www.osc.ny.gov/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.ny.gov/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.ny.gov/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.ny.gov/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.ny.gov/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.ny.gov/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.ny.gov/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.ny.gov/local-government/academy

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

<https://www.osc.ny.gov/local-government>

Local Government and School Accountability Help Line: (866) 321-8503

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