



Town of Exeter

Town Clerk/Tax Collector

2024M-15 | May 2024

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Report Highlights

Town of Exeter

Audit Objective

Determine whether the Town of Exeter (Town) Town Clerk/ Tax Collector (Clerk) recorded, deposited and remitted collections accurately and in a timely manner.

Key Findings

The Clerk generally recorded collections accurately and deposited and remitted Clerk fees in a timely manner. However, the Clerk did not always deposit real property taxes in a timely manner and did not remit these collections to the Supervisor in a timely manner. Specifically, the Clerk did not:

- Deposit 39 real property tax collections, totaling \$505,197, within 24 hours of the date recorded as collected, without indication of the actual date of receipt.
- Remit real property taxes to the Town Supervisor (Supervisor) on a weekly basis, as required by New York State Town Law (Town Law) Section 35. Instead, the Clerk made annual remittances in February, which kept the money from being productively used or invested to earn additional revenue.
- Complete bank reconciliations and an accountability analysis by preparing a list of liabilities and comparing it to reconciled bank balances and money on hand.
- Provide the Board with her records for audit, as required by Town Law Section 123.

The issues identified may have been detected if the Clerk presented her accounting records to the Board and the Board conducted the required annual audit of the Clerk's records.

Key Recommendations

- Deposit real property taxes within 24 hours and remit them to the Supervisor weekly.
- Perform bank reconciliations and accountabilities, and provide records to the Board for audit.

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

Audit Period

January 1, 2022 – March 31, 2023

We extended the audit period to May 10, 2023 to reconcile Clerk assets to liabilities, and to May 31, 2023 to review real property tax collections.

Background

The Town is located in Otsego County (County) and governed by an elected five-member Town Board (Board) including the Supervisor. The Board is responsible for overseeing Town finances and operations, including overseeing the elected Clerk's cash collections.

The Clerk collects fees for a variety of purposes, including marriage and dog licenses, building permits and certified copies. The Clerk is also responsible for collecting and remitting real property taxes to the Supervisor and County Treasurer.

We also issued Report 2024M-25, *Town of Exeter – Town Supervisor's Records and Reports*, in which we determined:

- The general fund balance was overstated by \$81,929.
- Annual financial reports have not been filed since 2016, as required by New York State General Municipal Law (GML) Section 30.
- The Board did not annually audit the Supervisor's records.

Quick Facts

Population	845
During Audit Period	
Total Real Property Taxes and Penalties Collected	\$1.5 million
Town Real Property Taxes Levied	\$1.1 million
Clerk Fees Collected	\$1,440

Town Clerk/Tax Collector

How Should a Clerk Record, Deposit and Remit Collections?

A town clerk (clerk) should properly account for all transactions by promptly and accurately recording the daily amounts collected in a cash receipts journal, depositing receipts intact (in the same amount and form – cash or check – as received) and remitting money to the appropriate parties.

The clerk must deposit all fees collected within three business days after total collections exceed \$250, as required by Town Law Section 30. The clerk must remit such money owed to the town supervisor by the 15th day of the following month, as required by Town Law Section 27. Furthermore, Town Law Section 35 requires the clerk, when serving as tax collector, to deposit all real property taxes collected within 24 hours of receipt and remit amounts collected, including any interest and penalties, to the town supervisor at least once a week until the town's share of taxes is collected in full. Town Law Section 35 also requires the clerk to remit all additional tax collections to the county treasurer no later than the 15th day of each month following the date of receipt.

The clerk should also prepare monthly bank reconciliations and an accountability analysis by preparing a list of liabilities and comparing it to reconciled bank balances and money on hand to ensure all funds are accounted for. Additionally, the clerk must provide their records to the town board on or before January 20th of each year so the town board can conduct the required annual audit of the clerk's records, as required by Town Law Section 123. These are critical procedures that serve to document the status of money held by the clerk, provide a means to verify the accuracy of financial records, and ensure assets are sufficient to meet liabilities.

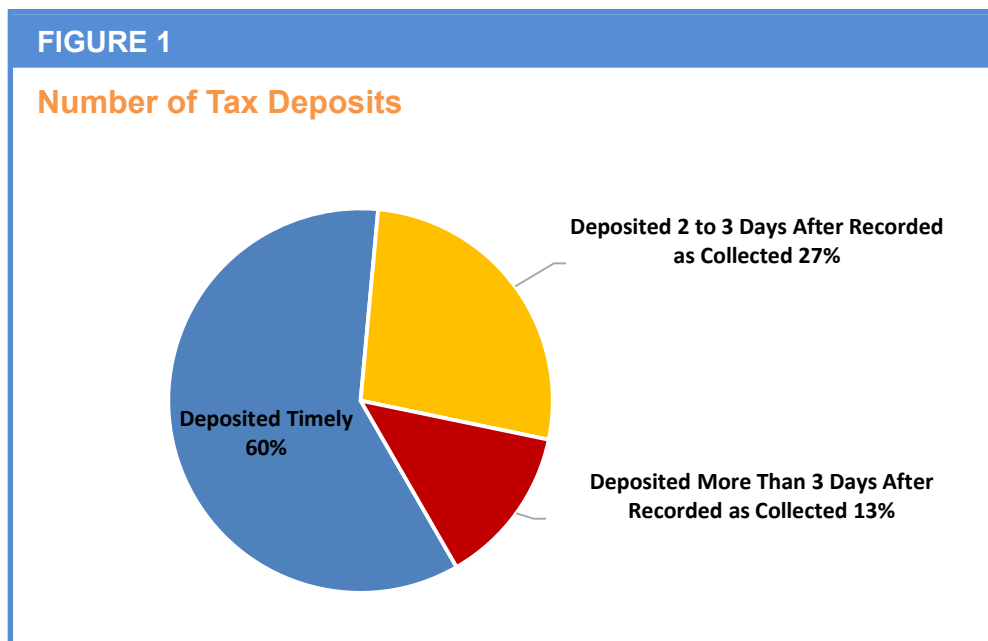
The Clerk Did Not Always Deposit and Remit Collections in a Timely Manner

We examined all 97 tax collection journals (i.e., batches of tax collections recorded into the real property tax collection software to be deposited) totaling approximately \$1.5 million for fiscal years 2022 (48 journals totaling \$729,339) and 2023 (49 journals totaling \$742,340) and all tax remittances made by the Clerk.¹ We determined that tax collections were generally recorded accurately but not always deposited in a timely manner, and the Clerk did not remit collections to the Supervisor in a timely manner.

Deposits – Because real property tax interest and penalties are calculated based on the postmark date and not the date payments are received in the mail, the Clerk recorded the postmark date as the date collected. We reviewed

¹ In New York State, towns have a fiscal year that begins January 1st and ends December 31st.

all collections for the audit period and determined that the Clerk did not deposit 39 (40 percent) of the 97 deposits totaling \$505,197 within 24 hours of the date recorded as collected, without indication of the actual date of receipt (Figure 1). These 39 deposits were, on average, deposited four days after the date recorded as collected, with 26 of them being deposited two to three days after the date recorded as collected.² The Clerk stated that most of these deposits were timely but certain collections must have been delayed in the mail. However, because the Clerk records the postmark date and not the actual date received, we could not confirm this assertion.



Additionally, the Clerk deposited 10 overpayments totaling \$1,233. The Clerk identified three of the overpayments totaling \$1,227 and appropriately returned them to the taxpayers. The Clerk stated the other payments were not materially different than what was due, and the Clerk accepted the amount written on the checks as paid in full. The Clerk remitted all overpayments to the Supervisor at the end of the collection period. Although these overpayments did not have a material net effect, the Clerk should not be accepting overpayments, as it could provide the opportunity to take the money without identifying it.

Remittances – The Clerk did not make timely remittances to the Supervisor as required. For both the 2022 and 2023 fiscal year collections, the Clerk should have made a total of five remittances to the Supervisor. Instead, she made a

² We excluded two deposits – deposited 37 days and 88 days after the date recorded as collected – from our calculation of the average because they were extreme outliers.

single remittance to the Supervisor each February. Additionally, the Clerk waited until the end of the collection period to remit real property tax interest and penalties instead of remitting throughout the collection period. After the Town's share of taxes were collected in full, the Clerk generally remitted collections to the County Treasurer in a timely manner with minor discrepancies.

The Clerk stated that she prefers to wait until she has collected the entire amount of the Town's tax levy before remitting collections to the Supervisor. However, remittances must be made at least weekly, and the longer collections remain unremitted, the longer they remain unavailable for investment purposes or to fund Town operations. When collections are not remitted or deposited in a timely manner, the risk increases for money to be lost or used for inappropriate purposes.

The Clerk Did Not Prepare Bank Reconciliations or Provide The Board With Records for Audit

We reviewed all Clerk fee collections during the audit period totaling \$1,440. Except for minor discrepancies that we discussed with Town officials, we determined the Clerk deposited and remitted these collections in a timely manner and generally recorded collections accurately.

However, the Clerk did not prepare monthly bank reconciliations or accountabilities. Instead, the Clerk compared the ending bank balance to her monthly report to the Supervisor. We compared the adjusted bank balance in the Clerk's account to the Clerk's total liabilities as of May 10, 2023, and determined that the Clerk had assets that exceeded her liabilities by \$289. The Clerk acknowledged she had extra cash in her bank account but did not know the exact amount of the overage or where the funds originated. However, at the conclusion of a subsequent audit of the Town,³ we determined most of the \$289 was associated with the Town's petty cash of \$200, which the Clerk was the custodian of.

The Supervisor, Clerk and all Board members acknowledged that the Board did not audit the Clerk's records. The Clerk told us she did not present her records to the Board because the Board members never requested them, and the Board members told us they were unaware of the requirement to annually audit the Clerk's records. Without monthly bank reconciliations and accountabilities, there is an increased risk for banking errors, accounting errors, or other irregularities to occur and remain undetected. The issues identified may have been detected if the Clerk presented her accounting records to the Board and the Board conducted the required annual audit of the Clerk's records.

³ Refer to Report 2024M-25 *Town of Exeter - Town Supervisor's Records and Reports*.

What Do We Recommend?

The Clerk should:

1. Accurately record real property taxes collected, including the date received, and deposit collections within 24 hours of receipt.
2. Remit real property tax collections to the Supervisor at least once per week until the Town's share of taxes is paid in full.
3. Compare payments received to amounts due and reject any overpayments.
4. Accurately record all Clerk fees in the accounting system.
5. Remit remaining money in the Clerk bank account to the appropriate parties. If the source of funds cannot be identified, remit funds to the Supervisor.
6. Prepare monthly bank reconciliations and accountabilities.
7. Present accounting records to the Board by January 20th each year to allow the Board to conduct an annual audit.

The Board should:

8. Conduct an annual audit of the Clerk's records and reports.

Appendix A: Response From Town Officials



7411 State Highway 28, PO Box 23
Schuyler Lake, New York 13439

May 21, 2024

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

RE: Town Clerk/Tax Collector
2024M-15

To Whom it May Concern;

The Town Board has received and reviewed the findings of the Audit performed by your office in the Town of Exeter. The Town Board has reviewed the findings and shall begin the process of adopting and implementing the Corrective Action Plan. We look forward to working with you further to improve compliance and transparency in the Town of Exeter.

Respectfully,

Doreé Baker
Town of Exeter - Supervisor

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 the Clerk, Supervisor and Board members to gain an understanding of internal controls over collecting, recording, depositing, remitting and reconciling money collected by the Clerk and to determine whether policies or procedures were in place for the Clerk and tax collection operations.
- We reviewed all accounting software reports and bank statements for the audit period to determine whether money was received, recorded and deposited in a timely manner. We also used these sources to determine whether Clerk fees were disbursed accurately and to the proper recipients in a timely manner.
- We reviewed and traced all tax collection deposits totaling approximately \$1.5 million to determine whether deposits were made in a timely manner, intact and collected in full.
- We reviewed \$1,440 of Clerk fees collected and used our professional judgment to select the four largest Clerk fee cash deposits totaling \$320 to determine the accuracy of the Clerk's reports and whether deposits were intact.
- We compared the Clerk's assets to liabilities as of May 10, 2023 to determine whether they reconciled.

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.

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.

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 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

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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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