

**Internal Controls and Best Practices
for Town and Village Tax Collection**

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What Are Internal Controls?

- Activities or procedures designed to provide reasonable assurance that operations are “going according to plan.”



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**Why Are Internal Controls
Important?**

- Ensure compliance with laws, regulations, policies and procedures.
- Preserve integrity.
- Increase public confidence.
- Establish standards of performance.
- Ensure objectives are met.
- Reduce fraud opportunities.



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Safeguarding Assets

- Separate cash drawers
- Locked if unattended
- Use safe
- Frequent deposits
- Office (workspace)
- Duplicate receipts
- Check stock



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Transaction Processing

- Computerized Accounting Systems
 - Who has access? Is it limited?
 - Are individual usernames/passwords used?
 - Are computer records safeguarded?
 - Are backups performed?
 - How do you manage access changes?
 - Is software supported?



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A Breakdown in Controls?

- Waste or misuse of assets
- Inaccurate or incomplete information
- Embezzlement and theft



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Tax Collection Positions

Town Law Sections 20, 35, 36 and 37

- Town
 - Office of Tax Collector
 - Receiver of Taxes and Assessments
 - Town Clerk as Tax Collector or Receiver of Taxes and Assessments



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Office of Tax Collector

Town Law Sections 20(1)(b) and 35

- Generally occurs in a town of the second class. (see Town Law Section 20[1](b))
- Is a separately elected official.
- Responsible for collecting real property taxes for the town, county and special districts (e.g., library, fire districts, etc.) per the tax warrant filed with the County Clerk's office.



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Receiver of Taxes and Assessments

Town Law Sections 20(1)(a) and 37

- Generally occurs in a town of the first class.
- Usually a separately elected official.
- Collects same taxes as the tax collector.
- Also, typically collects school taxes, water and sewer rents, and permit fees.



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Town Clerk

Town Law Section 36

- The Town Board may adopt a resolution abolishing the Office of Tax Collector or Receiver of Taxes and Assessments.
- These duties will then be performed by the Town Clerk.
- The Town Clerk is now responsible for the applicable taxes and fees as a collection officer.



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Tax Collection Positions

Real Property Tax Law, Article 14

- Village
 - Village Treasurer or Clerk/Treasurer (see, e.g., RPTL Section 1426)
 - Village Clerk
 - At the annual meeting, the board of trustees may determine, by resolution, to have the Village Clerk collect taxes instead of the Village Treasurer.
 - The clerk collects taxes until the board of trustees revokes this at a subsequent annual meeting (see, e.g., RPTL Section 1438).



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Summary of Potential Tax Collection Duties

- Collection of property taxes
- Recording of property taxes
- Deposit of property taxes
- Remittance of property taxes
- Collection of interest and penalties
- Settlement with the county



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Collection of Real Property Taxes

- Real property taxes are usually due on the first day of the fiscal year.
 - Towns: January 1
 - Villages: March 1, April 1 or June 1 (depends on fiscal year)

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Collection of Property Taxes

General Municipal Law Section 99-b
Real Property Tax Law Section 986(1)

- Receipt is required for collection of money
 - Receipts should be:
 - Press-numbered, a duplicate, or the tax bill.
 - Receipts should include the:
 - Date, name, purpose, payment method, and a description of the property.
 - Payments received in the mail
 - Taxpayer has to request a receipt be mailed back.

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Recording of Property Taxes

- Tax collections should be recorded on a daily basis into the tax collection software or tax roll.
 - Receiver of Taxes and Assessment – required per Town Law Section 37
 - Town Clerk as collecting officer – required per Town Law Section 30
 - All other collecting officers - good business practice
- Information should include the date it was received or postmarked and the form of payment (cash, check, money order).

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Depositing of Property Taxes

Town Law Sections 35 and 37

- **Town**
 - Tax Collector
 - Deposit tax collections into a bank account in the name of the “tax collector.”
 - Receiver of Taxes and Assessment
 - Deposit tax collections into a bank account in the name of the Town Supervisor or a bank account the Town Supervisor can access.
 - Once the town’s tax warrant has been paid to the Town Supervisor, the receiver should be depositing collections into an account in the name of the “receiver.”



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Depositing of Property Taxes

Town Law Sections 35, 36 and 37

- **Town**
 - Town Clerk as Tax Collector or Receiver
 - Deposit tax collections into a bank account as defined for a Tax Collector or Receiver.
 - Good business practice is to have a separate bank account for tax collections.
 - All three positions
 - Must deposit within 24 hours of receipt.
 - Make deposits intact.



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Depositing of Property Taxes

Village Law Section 4-408(a) and (b)
Real Property Tax Law Section 1438

- **Village**
 - Village Treasurer or Village Clerk/Treasurer
 - Deposit tax collections into village bank account.
 - Deposit receipts within 10 days or as stated in the village’s policy.
 - Good business practice is to deposit more frequently.
 - Village Clerk
 - Deposit into Village Clerk bank account within 24 hours.
 - Both positions
 - Make deposits intact.



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Remittance of Property Taxes

Town Law Section 35

- Town
 - Tax Collector
 - Usually on a weekly basis, the tax collector remits all taxes collected to the Town Supervisor until the town's tax warrant has been paid.
 - The Town Board can pass a resolution requiring them to remit taxes more frequently to the Town Supervisor.

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Remittance of Property Taxes

Town Law Section 37

- Town
 - Receiver of Taxes and Assessments
 - Usually on a daily basis, the receiver remits all taxes collected to the Town Supervisor until the town's tax warrant has been paid.
 - The Town Board can pass a resolution allowing the receiver to remit taxes not as frequently to the Town Supervisor. However, the receiver has to remit taxes at least by the 15th of the month.

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Remittance of Property Taxes

Town Law Sections 35 and 37
Real Property Tax Law Section 940

- Tax Collector and Receiver of Taxes and Assessments
 - Once the town's tax warrant has been paid, the collecting officer is to remit any remaining taxes collected to the county by the 15th of the following month.
 - If the town warrant is satisfied in January, the collecting officer should remit taxes collected to County Treasurer by February 15.
 - Required to remit taxes levied on the tax warrant for special districts (fire districts, libraries, etc.) one week after the expiration of the tax warrant.
 - This can be done sooner.

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Remittance of Property Taxes

Village Law Section 4-408(a) and (b)
Real Property Tax Law Section 1438

- Village
 - Village Treasurer or Village Clerk/Treasurer
 - Has custody of all money belonging to the village.
 - Village Clerk
 - Remits taxes collected to the treasurer in 24 hours.

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Interest and Penalties

Town Law Sections 35 & 37
Real Property Tax Law Section 1432

- All Collecting Officers
 - Taxes are received for the first month without penalty.
 - Taxes received on or after the 1st of the following month have a penalty of a determined rate per month added to the amount due.
 - All interest and penalties collected on overdue taxes belong to the municipality.
 - County has to pass a resolution authorizing the town to keep the interest and penalties.

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Interest and Penalties

Town Law Sections 35 & 37
Real Property Tax Law Section 1432

- Town
 - Tax collectors remit to the Town Supervisor by the 15th day of the month following receipt.
 - Receiver of Taxes and Assessment deposits daily into an account in the name of the Town Supervisor.
- Village Clerk
 - Remits interest and penalties collected to treasurer in 24 hours

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Settlement with the County

Real Property Tax Law Sections 936, 940, 942, 1436 and 1442

- Generally Collecting Officers
 - At the expiration of the warrant, the collecting officer usually settle with the County Treasurer for the taxes they are responsible for.
 - Provide a list of unpaid taxes to the County Treasurer.
 - County Treasurer will credit the collecting officer with the amount of the unpaid taxes and furnish them with a certificate of settlement.

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Reporting

- Village
 - Village Treasurer prepares and submits to the Board monthly financial reports, bank statements and reconciliations (recommended by OSC).
 - Village Clerk prepares and submits a detailed report of all fees and charges to the Treasurer.
- Town
 - All collecting officers prepare and submit to the Town Supervisor monthly financial reports, bank statements and reconciliations (recommended by OSC).

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Additional Items

- Dishonored Checks
 - GML Section 85 allows for imposition of service charge up to \$20.

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Additional Items

- Credit Cards – GML Section 5(b)
 - By local law, ordinance or resolution, the Board designates an officer to accept credit card payments for a specific purpose.
 - Real property taxes
 - Water/sewer payments
 - Permits, licenses, etc.

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Petty Cash Fund

Town Law Section 64(1-a)
Village Law Section 5-526

- Board authorizes by resolution
 - Dollar amount set by board.
 - Generally exists year to year until abolished by board.
- Town
 - Receiver of Taxes and Assessments: \$1,000
 - Tax Collector: \$500
 - Returns petty cash at end of collection period.
 - Board authorizes annually.

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Petty Cash Fund

Town Law Section 64(1-a)
Village Law Section 5-526

- Village
 - No specified dollar amount
- Reimburse periodically
- Submit claim
 - Materials
 - Supplies
 - Services

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Petty Cash Fund

Replenish with voucher and supporting receipts.

Description	AC Code	Amount
Petty Cash Count		\$112.25
#2006-001 Rosalee (Receipt for Supplies)	A1325.4	\$48.75
#2006-003 Rosalee (Postage)		\$39.00
Petty Cash Fund	A210	\$200.00

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Count and Prove Cash

- Daily – the sooner the better
- Reconcile cash – take back to original documents if necessary
- Discrepancies? – follow-up procedures
- Deposit intact

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Deposit Intact

Description	Check No.	Amount
Twyla Jones	234789	\$25.98
Wendy Smith	10001	\$74.89
Connie Williams	2789	\$25.00
Lester Johnson	987435	\$175.06
The Pizza Shack	00013456951	\$1,325.42
Total Checks:		\$1,626.35
Cash		\$300.52
Total Deposit		\$1,926.87

Total Daily Collected Equals Total Deposited

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Perform Reconciliations

- Reconcile Monthly
 - Bank statement
 - Check register/cash book
 - Liabilities



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Bank Reconciliation

Balance per bank	\$2,500	
Add: Deposits in transit	\$85	
Less: Checks not cleared	(\$175)	(\$90)
Adjusted bank balance:		\$2,410
Balance per cash book	\$2,468	
Add: Interest earned	\$5	
Less: Dishonored checks	(\$43)	
Plus or minus: Book adjustments	(\$20)	(\$58)
Adjusted book balance:		\$2,410



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Thank You

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