

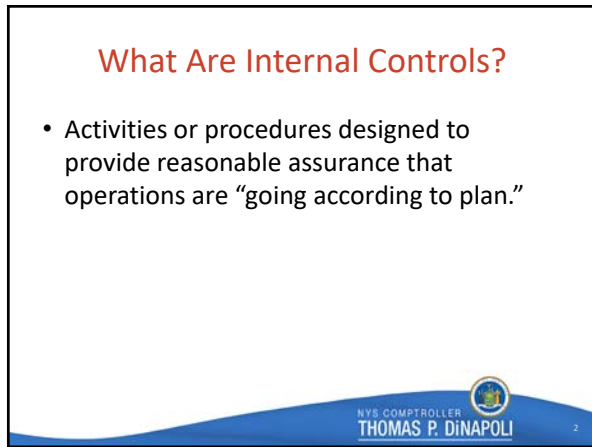
Internal Controls for Tax Collection

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What Are Internal Controls?

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



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.



Safeguarding Assets

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

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?

A Breakdown in Controls?

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

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

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.

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 rentals, and permit fees.

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.

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).

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

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)

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.

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).

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.”

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 in the name of the Town Clerk.
 - 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.

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.

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.

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.

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 (libraries, etc.) one week after the expiration of the tax warrant.
 - This can be done sooner.

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.

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.

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.

Settlement with the County

Real Property Tax Law Sections 936, 940 and 942

- Generally Collecting Officers
 - At the expiration of the warrant, the collecting officer must 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.

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).

Additional Items

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

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.

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.

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

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

Count and Prove Cash

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

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

Perform Reconciliations

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

Bank Reconciliation

Balance per bank		\$2,500
Add: Deposits in transit	\$85	
Less: Checks not cleared	(\$175)	(\$90)
Adjusted bank balance:		\$2,410
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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

Thank You

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