

OFFICE OF THE NASSAU COUNTY COMPTROLLER



Nassau County Department of Assessment Review of Property Tax Exemption Processing

May 2, 2019

JACK SCHNIRMAN COMPTROLLER

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This review was initiated under the prior Comptroller's administration.

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OFFICE OF THE NASSAU COUNTY COMPTROLLER
NASSAU COUNTY DEPARTMENT OF ASSESSMENT
REVIEW OF PROPERTY TAX EXEMPTION PROCESSING

WHY WE DID THIS REPORT

Property taxes greatly impact the property owners of Nassau County. 72% of all properties receive at least one property tax exemption, which results in \$95 billion, or 34%, of property value being removed from the taxable base. When tax exemptions are improperly or falsely obtained, it is ultimately at the expense of other taxpayers – **if one property pays less in taxes, other taxpayers have to make up the difference.**

This audit was conducted to ensure that the Department of Assessment properly granted exemptions only to qualifying properties. The audit began in 2016 under the previous Comptroller and then was restarted in 2018. As such, test work primarily focused on the Tax Years 2013-2014 to 2015-2016, additional analysis was performed on more recent information as more current data became available.

WHAT WE FOUND

We found that over the course of many years, property tax exemptions were poorly managed by the Department of Assessment, and that during the audit period, recurring issues were discovered related to a lack of proper documentation or verification of eligibility. **We identified approximately \$33 million of 2016 property taxes associated with questionable exemptions which potentially shifted taxes to property owners who did not receive these exemptions.** Specific findings include the following:

- **Over 8,400 Veteran Exemptions (18% of those granted) had service date information that was unrealistic, incomplete and/or inconsistent, including 91 where the owner may be 133 years old or older.** Further analysis showed 20 approved exemptions listed military service starting in the future, 2020. Nassau County's veterans are entitled to Veterans Exemptions, however these exemptions should not be granted to ineligible parties or misused by those who did not earn them. This exposes taxpayers to the potential risk and possible reallocation of almost \$23 million in property taxes annually.
- **Risk of fraud was increased due to numerous control weaknesses identified in the "ADAPT" computer system.** Users had inappropriate access: over 100 users had the ability to edit each other's work which could impact tax shifts; user roles were not adequately segregated; and employees from the previous County Executive's Office had an inappropriate level of access.
- **For eight years, the Department of Assessment was not managed by a NY State certified assessor as required by the Nassau County Charter §601.** The former County Executive effectively controlled Assessment decisions, froze the assessment roll, preventing the Assessment Department from keeping an accurate tax roll, fixing known mistakes and updating for recent sales on an annual basis.
- **By keeping an "Acting Assessor" for this time period, the previous County Executive bypassed end of term legislative review and approval.** Additionally, the Acting Assessor did not meet minimum qualification standards set by the County Charter. During the same period, the full time staff at the Department of Assessment decreased by 49% while overall County full time staffing decreased by only 16%. The Nassau County Charter provides for a three year term of office for the Assessor, while the NYS Real Property Tax Law provides for a six year term for an Assessor. A six year term could allow for more independence for an Assessor from a county executive who serves a four-year term.
- **Nassau's low "level of assessment" led to a disproportionate "personally owned clergy property" exemption which inadvertently resulted in over \$272 million in annual taxable value being removed from the tax base.** Auditors found that 88% of the properties personally owned by clergy that were approved for a partial Clergy Exemption actually received a 100% exemption of assessed value. This means that many individuals receiving this exemption pay no county or school taxes rather than paying a reduced amount. The NY State law limits the exemption on personally owned clergy property to a \$1,500 cap of assessed value, but in Nassau County, Assessed Values are calculated by applying a low ratio of the Market value. As a result, after applying the ratio, the Assessed Values of most Clergy properties fall below the \$1,500 cap, inadvertently causing excessive exemptions. *Nassau may be the only county in NY State where the partial clergy exemption results in a full exemption due to assessment practices.*



OFFICE OF THE NASSAU COUNTY COMPTROLLER NASSAU COUNTY DEPARTMENT OF ASSESSMENT

REVIEW OF PROPERTY TAX EXEMPTION PROCESSING (CONTINUED)

- The Department of Assessment approved tax exemption applications after established deadlines, increasing the risk of favoritism and shifting an increased tax burden to others. 30% of randomly sampled approved exemption applications were received after the statutory due date.
- Nassau County is not in compliance with NY State regulations requiring an exemption impact report be attached to the County Preliminary budget and does not report adequate County performance measures. An exemption impact report provides details of the number and types of exemptions granted each year and details the taxable value exempted, providing important information to the public.
- The Department of Assessment's exemption counts were inconsistent with NY State counts and included many invalidly coded exemptions. A total of 670 Invalidly Coded Exemptions were identified by NY State over 10 years, totaling over \$900 million in taxable value being removed from the tax rolls. This indicates that these potentially invalid exemptions may not have been properly reviewed, approved or legitimately received.
- The Department of Assessment does not maintain adequate procedures and Auditors found that income for senior exemptions were calculated differently by different employees using their individual judgement as to which items apply to the income threshold.
- Estates and new property owners are not entitled to prior Exemptions; Auditors found that the Exemptions were not removed and/or restored to the tax rolls in a timely manner. Testing revealed Assessment did not recover 85% of ineligible Estate exemptions received by estates and are allowing some exemptions to continue under the new owners.

WHAT WE RECOMMENDED

We made a number of specific recommendations to increase security, prevent fraud, and correct the issues found, including the following:

- Implement a one-time verification and update of all existing exemption categories that are not recertified annually, to ensure that all previously certified exemptions are still eligible and valid.
- To assure that exemption applications are properly and equally processed, update and/or create operating procedures for the applications for various exemption types used in Nassau County and provide adequate training to staff on policies and procedures.
- Perform a systems audit to identify any unauthorized access and establish an appropriate level of controls in the computer system. Review all ADAPT computer system user names and levels of access to assure that only authorized individuals have access, and provide unique digital fingerprints to employees.
- The County Executive & Legislature should take steps to modify the Nassau County Charter to be consistent with the NYS Real Property Tax Law, which provides that assessors be appointed to a six-year term, not the three-year term in the Charter. While a three year term is acceptable, a six year term allows for more independence from a county executive who serves a four-year term. All future County Executives and Legislatures should appoint only qualified individuals with proper certifications to be County Assessor.
- The Department of Assessment should consult with the NY State Office of Real Property Tax Services to discuss the need for statutory changes to the personally owned clergy property tax exemption, to address the inadvertent granting of excessive exemptions.
- Adhere to exemption application guidelines and deny applications received after the due date, barring "good cause" and adequately document any applications approved after established due dates.
- Consistently verify all income and expenses reported on tax exemption applications and implement supervisory procedures to ensure that all supporting documentation is received and reviewed prior to approval.
- Identify and review invalidly coded exemptions to determine if they were legitimate. Ensure procedures are in place to address any exemptions that NYS lists as "not properly coded."



OFFICE OF THE NASSAU COUNTY COMPTROLLER
NASSAU COUNTY DEPARTMENT OF ASSESSMENT

REVIEW OF PROPERTY TAX EXEMPTION PROCESSING (CONTINUED)

- Develop procedures to ensure that the Department is in compliance with NYS reporting requirements for an Exemption Impact Report and develop meaningful performance measures to help the department work more efficiently. An annual Exemption Impact Report provides detailed information to the public annually on all exemptions granted by the County.

WHAT WAS THE RESPONSE?

The Department of Assessment agreed with the findings, and provided a comprehensive corrective action plan, addressing security issues and stating their intent to implement controls to prevent fraud. (See Appendix E for the Department's full response to the audit). A certified Assessor was appointed by the County Executive and confirmed by the Legislature in June of 2018.

Specifically the Department of Assessment Will:

- Conduct a biennial verification of residency, ownership and relationship information for veterans to assure that only qualified individuals are receiving these exemptions.
- Document exemption process procedures and customer servicing procedures, and expand efforts to educate exemption applicants of the application deadlines and the required information and documentation needed.
- Implement a committee review process for any exemption renewal applications provided after the application deadline to determine if "good cause" is established for approving exemptions after established deadlines.
- Strengthen its documentation verification process by creating an automated process for calculation of income and expense data.
- Increase its outreach efforts by holding community based presentations informing residents of available exemptions and requirements.
- Work with the Department of Information Technology to: increase employee accountability measures; perform an annual systems audit plan; develop an internal management information database; and strengthen the systems' user audit trails.
- Produce and submit an exemption impact report to the Office of Management & Budget this year to include in the 2020 recommended budget document.
- Provide training to employees and provide all future new hires exemption training.
- Conduct a comprehensive review of all individuals that have access to the ADAPT system and assure access levels will be appropriate to job duties. The ADAPT access rights will be reviewed for all users three times per year.
- Review, change, delete and update all exemption codes by the third quarter of 2019, and will review for accuracy and appropriateness all NY State exemptions and codes on an annual basis.
- Work with the County Executive and County Attorney to discuss modifications to state and local law that will positively affect the County's assessment system and its residents and will consider engaging the State Legislature and County Legislature regarding the personally owned clergy property exemption.

WHY IS THIS REPORT IMPORTANT?

When property tax exemptions are poorly managed and unfairly granted, an increased tax burden is shifted to other taxpayers. County property owners are entitled to a fair and equitable application of property tax exemptions. In the case of this audit, we identified \$33 million in taxes related to potentially questionable assessment exemptions, which were shifted to other taxpayers. If this amount was equally shared by all property owners, the three year impact would be more than \$267 for each property owner.

Executive Summary

Purpose

- Ensure that the Nassau County property tax exemption approval process is properly monitored by the Nassau County Department of Assessment;
- Verify that exemptions are granted only to qualifying properties;
- Verify that adequate documentation exists and is maintained to substantiate exemption qualifications; and
- Verify that the tax roll is properly restored when exemptions terminate.

Introduction:

The Nassau County Department of Assessment (“Assessment”) is responsible for developing fair and equitable assessments for all residential and commercial properties in Nassau County on an annual basis.

The Department of Assessment collects and records residential, commercial and industrial property information; validates building permits¹; maintains property records and tax maps; assists the public through its outreach program; and **processes applications for property tax exemptions.**

Property tax exemptions may exclude all or a portion of the property’s assessed value from the tax base. **When exemptions are improperly or falsely obtained, it is at the expense of other taxpayers.** If one property pays less taxes, other taxpayers have to make up the difference. Property in Nassau County is assessed and subject to taxation unless an exemption is granted under Article 4 of the New York State Real Property Tax Law and various statutes.

Per Nassau County’s operating budget supporting schedules, one of the stated goals of the Assessment Department is to “correctly process all New York State Property Tax Exemption applications filed by Nassau County property owners.” Applications for property tax exemptions are due to the Department of Assessment by the taxable status date², January 2nd.

¹ The Department of Assessment website says they validate over 20,000 building permits annually, although the Comprehensive Annual Financial Report lists over 30,000 each year since 2013.

² The taxable status date in Nassau County is January 2nd or the first business day of the New Year.

Executive Summary

Summary of Audit Findings and Recommendations	
Audit Finding	Audit Recommendations
<p>1 The Department of Assessment Fails to Review Questionable Exemptions; Auditors Found 8,289 Veterans Exemptions, 17% of Those Approved, Did Not Have Service Dates in the Assessment Data System</p>	<p>The Department of Assessment should:</p> <ul style="list-style-type: none"> a) Obtain Social Security number and birth date with all future Exemption Applications; b) Arrange for a one-time verification and update of all existing Veteran Exemptions. Require the following be included for verification and be entered into ADAPT: <ul style="list-style-type: none"> i. Birth date of Qualifying Taxpayer/Resident; ii. Social Security number of Qualifying Taxpayer/Resident; iii. Proof of Residency; iv. Proof of Ownership; and v. Relationship of Qualifying Taxpayer/Resident to the Veteran. c) Implement a one-time system wide exemption verification for all exemption categories that are not recertified annually to ensure that all previously certified exemptions are still eligible and valid; d) Provide adequate staff training to assure that exemption applications are properly and consistently processed; and e) Explore options to periodically run collected social security numbers and birth dates against a Death Database to identify exemptions to be removed.
<p>2 Numerous Control Weaknesses Exist in the Department of Assessment and the “ADAPT” System, Increasing the Risk of Fraud</p>	<p>The Department of Assessment should:</p> <ul style="list-style-type: none"> a) Review all user access names and levels of access to assure that only authorized individuals have access to the ADAPT system, remove duplicate user access names which currently exist and implement a system to continuously remove individuals who lose authorization, i.e. leave the Department. b) Work with the Department of Information Technology to perform a systems audit, to identify any unauthorized access and establish an appropriate level of controls and role hierarchy in the ADAPT system. c) Develop and utilize Management Information System Reports and exception based monitoring to ensure all exemptions are properly entered, approved and monitored; d) Review all ADAPT user levels and identify a protocol to properly segregate users, and provide unique digital fingerprints for all individuals utilizing the system to ensure accountability; e) Develop procedures to ensure that information is accurately and consistently entered into the ADAPT system; and f) The County should adequately staff the Assessment Department with dedicated and knowledgeable information technology staff.
<p>3 For Eight Years Nassau County Department of Assessment Was Not Managed by a New York State Certified Assessor as Required by the Nassau County Charter</p>	<ul style="list-style-type: none"> a) The County Executive & Legislature should take steps to modify the Nassau County Charter to be consistent with NYS Real Property Tax Law, which provides that assessors be appointed to a six-year term, not the three-year term in the Charter. b) All future County Executives should appoint only qualified individuals with proper certifications to be County Assessor.
<p>4 Nassau County’s Low Level of Assessment Percentage Leads to Disproportionate “Personally Owned Clergy Property” Exemptions, Removing an Excess of \$272 Million in Taxable Value Annually</p>	<p>The Nassau County Department of Assessment should pursue this issue with the NYS Office of Real Property Tax Services and discuss the need for statutory changes of the Exemption for real property owned by a member of the clergy, so that the exemption is based on a percentage of Assessed Value instead of a set dollar cap.</p>

Executive Summary

Summary of Audit Findings and Recommendations	
Audit Finding	Audit Recommendations
<p>5 The Department of Assessment Approved Tax Exemptions Received After the Taxable Status (Due) Date, in Some Cases Over Five Months Late, Which Can Result in Favoritism and Increasing the Tax Burden for Others</p>	<p>The Department of Assessment should:</p> <ul style="list-style-type: none"> a) adhere to application guidelines and deny applications received after the due date, barring acceptable legitimate reasons; and b) adequately document files and retain supporting documentation for those applications that have acceptable reasons and are legitimately accepted even though they were received after the statutory due date.
<p>6 The Auditor’s Sample Test Indicated that 29% of Approved Senior Citizen Exemptions Should Have Been Rejected Based on Miscalculations of Income or Missing Documentation</p>	<p>The Department of Assessment should:</p> <ul style="list-style-type: none"> a) verify all income and expenses reported on all Tax Exemption applications to proper supporting documentation; b) implement supervisory procedures to ensure that all supporting documentation is received and reviewed prior to approval; and c) develop a standard worksheet for application reviewers that provides consistency with respect to determining income.
<p>7 The Department of Assessment Did Not Recover 85% of Ineligible Exemptions Received By Estates and are Allowing Some Exemptions to Continue Under the New Owners</p>	<ul style="list-style-type: none"> a) The Department of Assessment should explore the benefits of creating a standard “Tax Exemption Restoration Affidavit” to be filed upon each property sale/transfer as a requirement before a deed can be recorded. <ul style="list-style-type: none"> • The affidavit should require the parties to the transaction identify all property exemptions, recover invalid prior and current year prorated exemptions, and remit appropriate funds to the County. This should detail invalid exemptions received by the Estate. This will ensure that invalid exemptions are recovered and collected; • A copy of the Affidavit be forwarded to the Department of Assessment and procedures developed to ensure timely review and removal of the exemptions and full restoration of taxes for current and subsequent tax years; b) Assessment should require annual verification of Veteran Exemptions; c) Assessment should require social security numbers be provided with the application and annual verification for all Exemption types that have a primary residence criteria; d) Assessment should create and implement procedures to use social security numbers to ensure that property owners do not receive exemptions on more than one property for those exemptions with primary residence requirements; and e) Nassau County should explore the potential benefits of creating and requiring the filing of a ‘Change of Ownership Statement’ and should create procedures to review and remove all related exemptions ensuring that invalid exemptions are removed timely.
<p>8 The Department of Assessment’s Exemption Counts are Inconsistent with NYS Counts and Some Exemptions are Invalidly Coded</p>	<p>The new Assessor should:</p> <ul style="list-style-type: none"> a) Identify and review the invalidly coded exemptions to determine if they were legitimate exemptions; b) Ensure procedures are in place for the Department of Assessment to address any exemptions that New York State lists as “not properly coded” in the future; c) Review and reconcile the differences in exemption counts reported to New York State for past years; and d) Implement accountability in the computer system for coding exemptions (i.e. those granting exemptions leave a digital fingerprint) or prevent the system from allowing a code that is not a valid NYS code.

Executive Summary

Summary of Audit Findings and Recommendations	
Audit Finding	Audit Recommendations
9 Nassau County is Not in Compliance with NYS Regulations Requiring an Exemption Impact Report be Attached to the County Preliminary Budget and Does Not Report Adequate County Performance Measures	The Department of Assessment should: a) review NYS reporting requirements and develop procedures to ensure that they are in compliance and remain compliant moving forward, and b) identify and review potential performance measures that can be tracked to help perform departmental work more efficiently, such as the number of exemptions applied for, and disclose the results to the public.
10 The Department of Assessment Does Not Maintain Adequate Procedures and Auditors Found that Income on Senior Exemptions were Calculated Differently by Different Employees	The Department of Assessment should: a) Update and/or create operating procedures for all the various exemption types used in Nassau County; and b) Assemble all procedures in one reference manual, copies of which should be provided to each unit supervisor. c) Provide adequate training to staff on policies and procedures to assure that exemption applications are properly and consistently processed. d) Implement a procedure to review and approve procedures on an annual basis.

The matters covered in this report have been discussed with the officials of the Department of Assessment. On March 15, 2019 we submitted a draft report to the Department of Assessment for their review. The Department of Assessment provided their response on April 15, 2019. Their response and our follow up to their response are included at the end of this report.

Table of Contents

	<u>Page</u>
INTRODUCTION	1
Background	1
Previous Audit	6
Audit Scope, Objectives and Methodology	6
FINDINGS AND RECOMMENDATIONS	7
(1) The Department of Assessment Fails to Review Questionable Exemptions; Auditors Found 8,289 Veterans Exemptions, 17% of Those Approved, Did Not Have Service Dates in the Assessment Data System	7
(2) Numerous Control Weaknesses Exist in the Department of Assessment and the “ADAPT” System, Increasing the Risk of Fraud	11
(3) For Eight Years Nassau County Department of Assessment Was Not Managed by a New York State Certified Assessor as Required by the Nassau County Charter	13
(4) Nassau County’s Low Level of Assessment Percentage Leads to Disproportionate “Personally Owned Clergy Property” Exemptions, Removing an Excess of \$272 Million in Taxable Value Annually	16
(5) The Department of Assessment Approved Tax Exemptions Received After the Taxable Status (Due) Date, in Some Cases Over Five Months Late, Which Can Result in Favoritism and Increasing the Tax Burden for Others	21
(6) The Auditor’s Sample Test Indicated that 29% of Approved Senior Citizen Exemptions Should Have Been Rejected Based on Miscalculations of Income or Missing Documentation	22
(7) Assessment Did Not Recover 85% of Ineligible Exemptions Received By Estates and are Allowing Some Exemptions to Continue Under the New Owners	23
(8) The Department of Assessment’s Exemption Counts are Inconsistent with NYS Counts and Some Exemptions are Invalidly Coded	26
(9) Nassau County is Not in Compliance with NYS Regulations Requiring an Exemption Impact Report be Attached to the County Preliminary Budget and Does Not Report Adequate County Performance Measures	29
(10) The Department of Assessment Does Not Maintain Adequate Procedures and Auditors Found that Income on Senior Exemptions were Calculated Differently by Different Employees	31
APPENDIX A – Summary of Exemptions (Per NYS ORPTS)	33
APPENDIX B – Largest “Group A” Exemption Types and General Eligibility Requirements	37
APPENDIX C – 2016 Approved Partial Clergy Exemption	40

Table of Contents

APPENDIX D – Auditor’s Follow Up Comments to Department of Assessment’s Response
..... 41

APPENDIX E – Nassau County Department of Assessment’s Response..... 54

Introduction

Background

The Nassau County Department of Assessment (“Assessment”) is responsible for developing fair and equitable assessments for all residential and commercial properties in Nassau County on an annual basis. Nassau County’s *Assessment Roll* in 2016 included over 423,000 parcels with an estimated value of over \$277 billion³. Approximately 72% of those parcels received at least one type of exemption for a total of \$95 billion in exemptions.

The Assessment Roll⁴ is a document listing, all of the assessed values within an assessment jurisdiction together with their land and total values, the names and addresses of owners, exemption data, property types and other pertinent information.

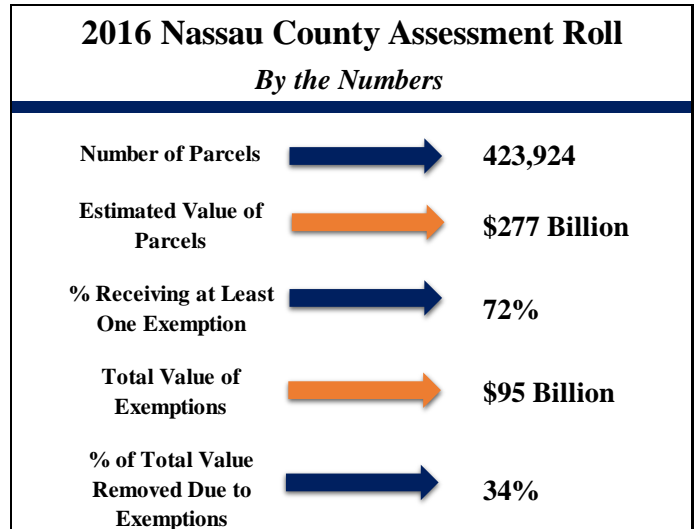


Exhibit I

Exhibit I provides the count of parcels in Nassau County in 2016 by broad category according to the New York State Office of Real Property Tax Services.

Broad Use Category Description	Parcel Count ⁽¹⁾
Agricultural	20
Residential	369,709
Vacant Land	15,449
Commercial	24,417
Recreation and Entertainment	943
Community Service	6,727
Industrial	1,251
Public Service	4,743
Public Parks, Wild, Forested and Conservation	665
Total Parcels	423,924

⁽¹⁾ For 2016, per NYS Office of Real Property Tax Services (ORPTS) Website

³ The New York State - Office of Real Property Tax Services website shows the Total Equalized Value of Nassau County property for 2016 as \$277 billion. The 2017 Nassau County Certified Annual Financial Report (CAFR) shows an estimated Actual Taxable Full Valuation of \$212 billion for 2016, while Assessment’s website shows a \$264 billion value. New York State totals were utilized in this report for consistency and comparison purposes to other NYS totals.

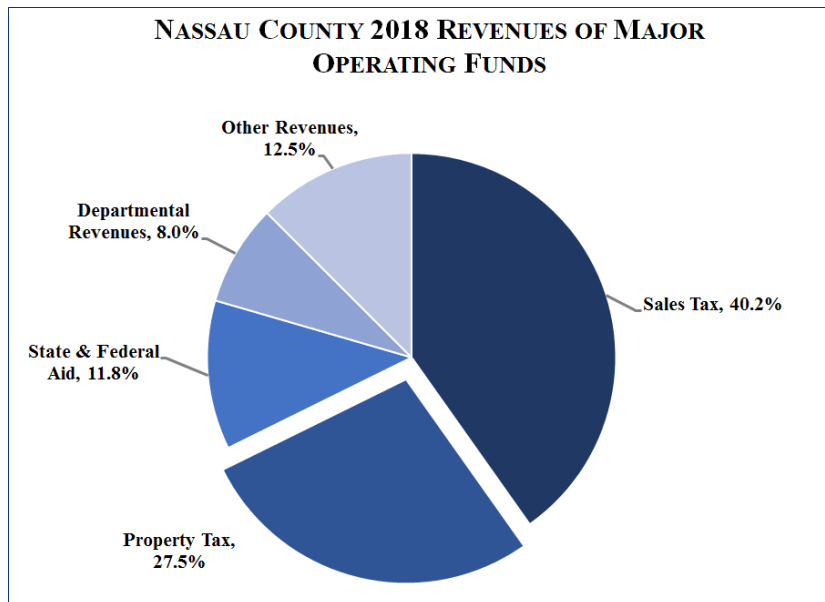
⁴ Defined per Assessment: <https://www.nassaucountyny.gov/1505/Glossary-of-Assessment-Terms>

Introduction

Nassau County is the second largest assessing entity in New York State after New York City. The 2018 Adopted Budget listed property tax revenue as \$814.7 million⁵. **Property Tax revenue for the County** is 27.5% of Major Operating Fund Revenues, **second to Sales Tax Revenue** which represented 40% of the 2018 Adopted Budget Revenues, see Exhibit II below.

Exhibit II

Exhibit II shows a breakdown of Nassau County's major revenues as included in the 2018 Operating Budget.



The Nassau County Department of Assessment:

- collects and records relevant residential, commercial and industrial property information;
- validates building permits;
- maintains property records and tax maps;
- assists the public through its outreach program; and
- **processes applications for property tax exemptions.**

Property tax exemptions may **exclude a portion** or all of a property's assessed value from the tax base by having a partial exemption or being wholly exempt. Depending on the type of exemption, a property may or may not be exempt from Special Assessments, General Municipal, School District and/or Special Ad Valorem⁶ Taxes.

⁵ Property taxes in major funds excluding Interdepartmental Transfers and Sewer & Storm Water Resources District.

⁶ The Property (Ad Valorem) Tax: ad valorem property taxes are levied on real or personal property by local government units including counties, municipalities, school districts, and special taxing districts. Ad valorem means a tax on goods or property expressed as a percentage of the sales price or assessed value.

<https://tax.findlaw.com/federal-taxes/the-property-ad-valorem-tax.html>

Introduction









A variety of exemption types apply to residential properties resulting in partial exemptions that remove a portion of the Assessed Value from the Taxable Base. Some properties are wholly exempt resulting in all of the properties Assessed Value being removed from the Taxable Base. Wholly Exempt properties are typically parcels owned by New York State, Federal Government Agencies, Municipal Governments, School Districts, Special Districts, Foreign Governments, Indian Tribes, Community Service Organizations, Social Organizations, Professional Societies, Public Service Property, Industrial Development Agencies, Urban Renewal Property, Public Housing, Private Subsidized Housing, Agricultural Property and Forest Property.

When exemptions are improperly or falsely obtained, it is at the expense of other taxpayers. Exemptions do not increase or decrease the total amount of taxes⁷ to be collected by a government, instead exemptions shift the payment responsibility to the remaining non-exempt taxpayers by increasing the proportionate share of taxes they pay. Essentially, if one property pays less everyone else has to share in making up the difference.

Property in Nassau County is assessed and subject to taxation unless an exemption is granted under Article 4 of the New York State Real Property Tax Law and various statutes. Exhibit III below demonstrates the effects of exemptions on taxpayers.

Exhibit III

Exhibit III illustrates how the granting of property tax exemptions shifts the tax burden to those without exemptions.

Illustration of How Property Tax Exemptions Effect the Distribution of Property Taxes Due by Taxpayers					
Sample Homes Below are Part of the Same Property Class					
Total Levy (Taxes to be Collected) = \$2,000					
					Total Taxes Collected
Assessed Value	\$100,000	\$100,000	\$100,000	\$100,000	
Taxes Due (Before Exemptions)	\$500	\$500	\$500	\$500	= \$2,000
Exemption Type	None	None	Partial	Full/100%	
Taxable Value (After Exemptions)	\$100,000	\$100,000	\$50,000	\$0	
Taxes Due (After Exemptions)	\$800	\$800	\$400	\$0	= \$2,000
Increase / (Decrease) in Taxes	\$300	\$300	(\$100)	(\$500)	
					
<i>Note: Most property tax exemptions result in partial exemptions.</i>					

⁷ Taxes meaning Tax Levies which are the amount of money that taxing authorities (municipal, school or special taxing districts) require to be collected through the property taxes to fund their operating budgets.

Introduction

Per Nassau County's operating budget supporting schedules, **one of the stated goals of the Assessment Department is to correctly process all New York State Property Tax Exemption applications filed by Nassau County property owners.** Applications for property tax exemptions are due to the Department of Assessment by the taxable status date⁸, January 2nd. Multiple exemption types require recertification each year.

The County reports tax exemption statistics by Tax Roll Year to the New York State Office of Real Property Tax Services (ORPTS). **For 2016, ORPTS shows 304,986 Nassau County parcels were granted a total of 377,193 Exemptions (see Appendix A) valued at \$95 billion⁹, approximately 34% of the total land value of Nassau County.**

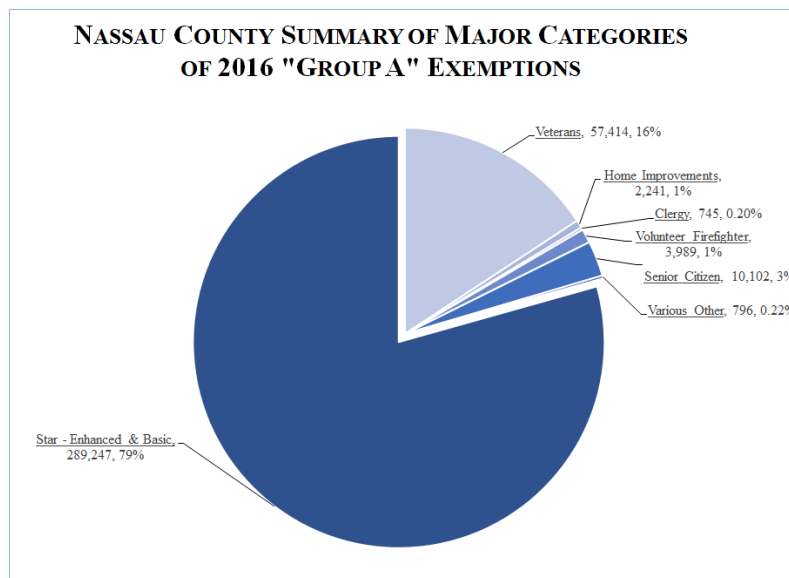
ORPTS classifies these Exemptions into nine Property Groups. Within these **nine property groups there are 62 different types of real property tax exemptions.**

The majority of the exemptions are in property "Group A"¹⁰ which represents a total of 364,534 of the 377,193 exemptions reported to New York State for 2016.

For Nassau County, Group A is made up of 21 different exemption codes and is labeled as Residential Property Other Than Multiple Dwellings and Non-Residential Property Owned by Certain Individuals. For illustration purposes, Exhibit IV, below, combines the Group A exemption types into six categories.

Exhibit IV

Exhibit IV breaks down the major categories of 2016 exemptions from Group A.



⁸ The taxable status date in Nassau County is January 2nd or the first business day of the new year.

⁹ Using NYS's Equalized Exempt Value which is the Exempt assessed value divided by the decimal representation of the state equalization rate or class equalization rate.

¹⁰ Group A is "Residential Property Other Than Multiple Dwellings and Non-Residential Property Owned by Certain Individuals", and contains 21 of 62 of the Nassau County exemption types listed by New York State for 2016.

Introduction

As the chart above illustrates, the following types hold the largest number of exemptions within Group A:

- STAR and Enhanced STAR Exemptions (245,586 and 43,661 respectively)
- Veterans' Exemptions (57,414)
- Senior Citizens' Exemptions (10,102)
- Volunteer Firefighter/ Ambulance Worker Exemptions (3,989)
- Home Improvements' Exemptions (2,241)
- Clergy Exemptions (745)

A general explanation of these exemptions and eligibility requirements can be found in Appendix B.

Potential New Exemption

In order to develop an accurate tax roll, frozen since 2011, the current County Executive ordered a re-assessment of all residential and commercial properties. According to news reports¹¹, an estimated 52% of properties will incur a tax increase while the remaining 48% will receive a tax decrease for the 2020/21 tax year.

On March 31, 2019, the New York State Legislature passed its 2020 budget^{12,13}, which included a bill proposed by the County Executive, to phase in assessment increases over a five year period. This phase in must be adopted at the local level.

This bill would be effectuated by the County creating a new "Exemption" in order to phase-in assessment and tax bill changes for properties that would be facing increases with the enforcement of the 2020-21 assessment roll.¹⁴

The five-year transition would create an exemption that would essentially exempt the associated market value increase by 80% in the first year, 60% in year two, 40% in year three, 20% in year four and 0% in year five.

¹¹ <https://www.newsday.com/long-island/politics/nassau-reassessment-laura-currant-1.24578098>, 12/15/2018

¹² Senate S.1505; Assembly A.2005; FY 202 Executive Budget Amendments,
https://assembly.state.ny.us/leg/?default_fld=&leg_video=&bn=A02005&term=2019&Summary=Y

¹³ <https://www.globest.com/2019/04/01/ny-state-175-billion-budget-passed/?slreturn=20190304162647>, 4/1/2019

¹⁴ The proposed bill would allow the County to create an exemption in order to phase-in assessment and tax bill changes for properties facing increases. An estimated 52% of 369,709 residential properties will experience increases in Assessed Value, resulting in a potential 192,249 new exemptions to be processed each year during the transition period.

Introduction

Previous Audit

In 2011, the Office of the Nassau County Comptroller issued an audit report on the Department of Assessment.¹⁵ The report addressed a number of issues in the Department of Assessment, including several findings related to Exemptions which included:

- Lack of policy and procedures manual to guide the day to day business operations of the Department;
- Lack of adequate internal controls which were at the root of an error which erroneously classified the County's Theodore Roosevelt Executive and Legislative Building at 1550 Franklin Avenue as taxable for the 2010/2011 tax year, incurring a \$1.2 million school tax liability for the County; and
- Inadequate segregation of duties, including a lack of supervisory review of data changes, and the practice of employees entering other employee's initials as both review and approve.

Audit Scope, Objectives and Methodology

The objective of our review was to examine the assessment exemption approval process and controls used to ensure only qualifying properties were given an exemption, verify that adequate documentation exists and is maintained to substantiate the exemptions, and verify that when exemptions are removed, the proper assessed value is restored.

The scope of the review was initially 2013/14 – 2014/15 tax years.

There were delays in the Department of Assessment providing requested information to the Auditors. This interrupted the timing of the actual field work which then resulted in the scope being expanded to the 2016 tax year.

Test work primarily focused on Tax Years 2013/14 to 2015/16. Additional analysis was performed on more recent information as more current data became available.

We reviewed applicable New York State and County laws, ordinances, resolutions, and directives and interviewed key employees of the Department of Assessment to obtain an understanding of the exemptions process. We examined the various categories of exemptions and traced exemptions in our test samples back to the supporting documentation.

We believe our review provides a reasonable basis for the findings and recommendations contained herein.

¹⁵ Limited Review of the Department of Assessment, 10/3/11, <https://www.nassaucountyny.gov/DocumentCenter/View/3803>.

AUDIT FINDING (1)

(1) The Department of Assessment Fails to Review Questionable Exemptions; Auditors Found 8,289 Veterans Exemptions, 17% of Those Approved, Did Not Have Service Dates in the Assessment Data System

Auditors found that the Department of Assessment has insufficient system records and lacks controls which limit both their ability to adequately monitor and remove property tax exemptions that no longer qualify.

For 2016, Nassau County granted exemptions of \$95 billion (including STAR exemptions), removing 34% of the total land value from Nassau County's taxable base, increasing the effective tax rate for those not receiving exemptions.

In 2016, the New York City Office of the Comptroller released a report¹⁶ that found that the New York City Department of Finance failed to remove the Senior Citizen Homeowners' Exemption from at least 3,246 properties after the homeowners had died. According to the report, this resulted in a loss of property tax revenue of at least \$35.9 million from fiscal years 2012 through 2017. The report noted that the New York City Department of Finance failed to enforce the requirement that homeowners reapply for the Senior Citizen Homeowners' Exemption every two years and that the lack of a re-application process may have allowed properties to continue receiving exemptions for many years after they were no longer eligible.

Auditors asked Nassau County's former Acting Assessor what controls are in place to ensure that similar issues do not occur in Nassau County, for Senior and/or Veteran Exemptions. He stated that Senior Citizen Exemptions are recertified annually. As a result, renewals would not occur the year after death and Exemptions would be removed. He explained, however, that Nassau County does not require annual recertification for Veterans Exemptions because it is not required by New York State. He acknowledged that Veteran Exemptions remain as an exemption until an event which disqualifies the exemption (a "disqualifying event") is reported to them, such as a death or change of ownership.

Since Veterans Exemptions are **not** recertified, disqualifying events may occur long before they are identified by Assessment, allowing ineligible Veteran Exemptions to perpetuate. If a taxpayer moves and the property is no longer their primary residence, or dies and the property is not occupied by a qualifying un-remarried surviving spouse, there is a potential that ineligible people (renters or beneficiaries) could occupy the home while the parcel incorrectly receives the benefit of the Exemption, potentially for years, before ownership changes.

New York City applications for both Senior and Veteran Exemptions require a birth date and social security number. This data allowed New York City Auditors to verify continued eligibility.

¹⁶ City of New York – Office of the Comptroller: Audit Report on the New York City Department of Finance's Administration of the Senior Citizen Homeowners' Exemption Program, July 7, 2016 (https://comptroller.nyc.gov/wp-content/uploads/documents/SR16_087A.pdf).

Nassau County collects birth date and social security numbers for Senior Exemptions only, and not for Veteran Exemptions.

As of 2015¹⁷, the NYS ORPTS website shows that Nassau County had 57,295 Veteran Exemptions. This removes an equalized assessed value of \$5.8 billion annually from the tax base without further recertification.

The Department of Assessment’s reliance on a taxpayer to report a primary residence change, a beneficiary to report a death or waiting for a change of ownership does not provide sufficient control to ensure that ineligible exemptions are removed. The continued renewal of ineligible exemptions unnecessarily transfers the tax burden and increases the effective tax rate for those that do not receive the exemption.

In a 2018 statewide report, the New York State Comptroller (OSC) stated that an “*assessor should review the decisions of his or her predecessors in the role and periodically verify that current property owners are still eligible for exemptions that do not require annual documentation. Recent OSC audits have found assessors failing to verify whether supporting documentation was maintained for exemptions granted prior to their term. These practices are very important, but time pressures and paper records for older exemptions can make carrying out this responsibility daunting.*”¹⁸

When the Auditors attempted to identify potential ineligible Veteran Exemptions, we found that the Department of Assessment **does not collect birth dates¹⁹ on the Veterans’ applications and there is no standard field for birth date in the Veterans’ Exemptions section of the assessment tracking system used by the County, the ADAPT system²⁰.** Lacking a complete set of birth dates, we analyzed data based on what was recorded in ADAPT as the “Date Service Started” to help determine approximate age and reasonableness that the Exemption is still valid.

Of the 47,776 Veteran Exemptions²¹ approved for 2015, 39,366 (82%) appear reasonable with Military Service Dates between 1936 and 2014. **However, for the remaining 8,410 exemptions (18%), the Auditors determined that the service date information was unrealistic, incomplete, and/or inconsistent.** Of those 8,410, we noted the following:

- **8,289 had no Service Dates listed.** Further, of the 8,289:
 - 8270 did not list Application Dates in the System;
 - 8257 did not have Evidence that Proof of Service Exists or was Reviewed; and
 - Only 12 of these records had Social Security numbers listed in the system.

¹⁷ Nassau County Department of Assessment provided a list of 50,776 Exemptions for the same time period showing 47,776 were approved. Analysis for this finding was based on the 47,776 listed as approved by Assessment for 2015. There was a change in the way Veterans Exemptions were recorded in the system, for 2016 and future years, making the 2015 data more consistent for analytical and comparison purposes.

¹⁸ Office of the New York State Comptroller: Property Tax Exemptions, February 2018 report.

¹⁹ Note NYS Applications do not request Birth Date.

²⁰ ADAPT is an iasWorld product for housing appraisal and property tax information which is used by the Department of Assessment and shared with other Nassau County Departments.

²¹ This includes all Veteran Exemption types including new applications and those approved exemptions rolled forward from prior years. This does not include co-ops.

Additional analysis of the 47,776, mentioned above, revealed that:

- **91 showed Military Service started prior to 1901, which would unrealistically make the owner an estimated 133 years old or older:**
- 10 showed Military Service started between 1901 and 1929 (ages estimated to be 105-133, which is unrealistic); and
- **20 showed Military service starting after 2020.**

In January 2019, the world's oldest man passed away at age 113²². As indicated above, 97 records indicated the homeowner may be over 113 years old, including one record where the property owner would be 133. Records indicate that there is little information in the ADAPT system to confirm if the 8,289 exemptions (with no military service dates) are valid, yet they removed the equivalent of \$774 million²³ in Market Value²⁴. **This exposes taxpayers to the potential risk and possible reallocation of up to \$22.8 million in property taxes annually.**

Nassau County's Veterans are entitled to Veterans Exemptions, however these exemptions should not be granted to ineligible parties or misused by those who did not earn them.

During our review of 39,376 exemptions with service dates listed between 1901 and 2014 we noted a large number (**14,968 or 38%**) **listed the year service started as 2001**. Auditors analyzed the 2001 data²⁵ noting that:

- 14,780 showed the year service ended as 2001
- 10,012 did not have an Application Date recorded in ADAPT;
- 13 did not have recognizable application years, for example some years were listed as 0159, 0178, 0200, 0964 and 1082;
- 3,226 were listed as applied between 1903 and 2000, before the 2001 Service Start Date;
- 31 applied in 2001; and
- 1,686 applied between 2002 and 2020.

As identified above, Auditors determined that data was missing, contained errors and was inconsistent. This illustrates that **over time, the processing of Veteran Exemptions has not been properly monitored, and updated in the ADAPT system**. Overall, the data reviewed, or the lack thereof, suggests that there is a potential that multiple properties could be occupied by people not qualifying for the exemption.

We determined that the Department of Assessment has not been utilizing effective preventative controls like "exception reporting" methodology to identify potential problems and address them. This is not necessarily exclusive to Veterans Exemptions. On numerous occasions we requested

²² <http://time.com/5508135/world-oldest-man-dies-japan/>

²³ Estimated by applying the 2016 Nassau County Level of Assessment of ¼ of 1% (.0025) to the Assessed Value of these properties. Level of Assessment is the percentage of full market value at which assessments are, on average, made in a given assessing unit.

²⁴ That price in an open market at which a willing buyer would buy and a willing seller would sell neither being under abnormal pressure and both being fully informed.

²⁵ Received on November 9, 2016.

Findings and Recommendations

examples of Management Information System reports that Assessment administrators might be using to manage the Exemption area, and none were provided.

Proper internal controls require that supervisors and/or management periodically review workflow to ensure accuracy of data. Guidance²⁶ on Monitoring Internal Control Systems suggest that organizations use monitoring procedures, including but not limited to “analysis of, and appropriate follow-up on, operating reports or metrics that might identify anomalies indicative of a control failure” and “Supervisory reviews of controls, such as reconciliation reviews as a normal part of processing.”

Audit Recommendations:

We recommend that the Department of Assessment:

- a) Obtain Social Security number and birth date with all future Exemption Applications;
- b) Arrange for a one-time verification and update of all existing Veteran Exemptions. Require the following be included for verification and be entered into ADAPT:
 - i. Birth date of Qualifying Taxpayer/Resident;
 - ii. Social Security number of Qualifying Taxpayer/Resident;
 - iii. Proof of Residency;
 - iv. Proof of Ownership; and
 - v. Relationship of Qualifying Taxpayer/Resident to the Veteran.
- c) Implement a one-time system wide exemption verification for all exemption categories that are not recertified annually to ensure that all previously certified exemptions are still eligible and valid;
- d) Provide adequate staff training to assure that exemption applications are properly and consistently processed; and
- e) Explore options to periodically run collected social security numbers and birth dates against a Death Database to identify exemptions to be removed.

²⁶ Committee of Sponsoring Organizations of the Treadway Commission (COSO), Guidance on Monitoring Internal Control Systems (January 2009)

AUDIT FINDING (2)

(2) Numerous Control Weaknesses Exist in the Department of Assessment and the “ADAPT” System, Increasing the Risk of Fraud

During our review, Auditors identified some system limitations and control weaknesses that indicated that the Exemptions Unit was not being properly monitored or managed. Management information reports were not made available to the Auditors or do not exist. Attempts to obtain information were unsuccessful. This limited our ability to ensure that adequate controls were in place. **System users had inappropriate access and user roles were not adequately segregated.**

Specific limitations and control weaknesses include:

- Auditors identified three employees, two of which were employed by the prior County Executive’s office, with an inappropriate level of access to ADAPT. After the Auditors made the Department aware of this, Assessment’s IT staff informed us that they removed the access from those users²⁷.
- The Acting Assessor had 28 access roles²⁸ in ADAPT related to Exemptions, 8 of which had the ability to make changes to exemption data. Further analysis would be required to determine if he had other roles with the ability to make changes in other modules of ADAPT.
- User defined roles for one of the user levels, “Exempt01,” does not provide proper internal control²⁹ to adequately segregate duties. **Assessment clerks are trained on specific exemption types and related documents required to qualify for those specific exemptions. However, any Exempt01 user with edit status had the ability to make changes to any other Exempt01 users work. There were over 100 users³⁰ with Exempt01 edit status.**
- On multiple occasions we requested samples of Management Information System Reports to help us understand what information Management has been using to supervise and review the work of the Exemptions Unit. No reports were provided which offers no assurance that the unit, as a whole, was being properly monitored and reviewed.

²⁷ The former I.T. liaison for the Assessment Department, who had over 25 years of experience with Assessment’s system, retired in December 2017, and has not yet been replaced.

²⁸ As of February 2017.

²⁹ Standards for Internal Control in the Federal Government (United States Government Accountability Office (GAO) (The Green Book): **11.14** Management designs control activities to limit user access to information technology through authorization control activities such as providing a unique user identification or token to authorized users. These control activities may restrict authorized users to the applications or functions commensurate with their assigned responsibilities, supporting an appropriate segregation of duties.

³⁰ As of February 2017.

- **Assessment was unable to provide a searchable Tax Roll. During the prior 2011 Audit of the Department of Assessment, we were provided with both a searchable Excel and Access version of the complete tax roll from 2007 – 2011.** During this current audit multiple unsuccessful attempts were made to obtain a current searchable tax roll in the same or similar format to assist us in data analysis and test work. We were ultimately told by the IT staff assigned to Assessment that *“up thru 2011 the roll resided on the now retired Wang system”* and that the rolls 2012 through current *“are now in the iasWorld (ADAPT)”* system. Per Assessment’s IT staff, the format has completely changed and they could only provide *“txt files for all years 2012 thru current...the same data we send to the Receivers for tax billing purposes....that I can provide to you...but not in Excel or Access.....”* We obtained those “txt” files and they are not searchable or useful for audit purposes.
- On multiple occasions during data analysis the Auditors noted that data was missing, or data recorded in certain system fields was incorrect or not consistent with the parameters of those fields. For example, as described earlier, of the 47,776 Veteran Exemptions approved in 2015, we noted that 8,289 had no service date listed, 91 had service dates prior to 1901 indicating that the veteran is 133 years or older, and 20 showed service starting after 2020. Of the 8,289 that had no service dates listed, 8270 did not have application dates and none had service end dates.

Audit Recommendations:

We recommend that the Department of Assessment:

- a) Review all user access names and levels of access to assure that only authorized individuals have access to the ADAPT system, remove duplicate user access names which currently exist and implement a system to continuously remove individuals who lose authorization, i.e. leave the Department.
- b) Work with the Department of Information Technology to perform a systems audit, to identify any unauthorized access and establish an appropriate level of controls and role hierarchy in the ADAPT system.
- c) Develop and utilize Management Information System Reports and exception based monitoring to ensure all exemptions are properly entered, approved and monitored;
- d) Review all ADAPT user levels and identify a protocol to properly segregate users, and provide unique digital fingerprints for all individuals utilizing the system to ensure accountability;
- e) Develop procedures to ensure that information is accurately and consistently entered into the ADAPT system; and
- f) The County should adequately staff the Assessment Department with dedicated and knowledgeable information technology staff.

AUDIT FINDING (3)

(3) For Eight Years Nassau County Department of Assessment Was Not Managed by a New York State Certified Assessor as Required by the Nassau County Charter

Between 2011 and mid-2018, New York State had no record of the Former Acting Assessor having attained certification as a New York State certified assessor, nor did he meet the other minimum qualification standards set by the County Charter.

The Nassau County Charter requires that every assessor attain certification as a New York State certified assessor within three years of the beginning of his or her initial term of office. Any assessor who begins a new term of office without attaining certification during a prior term of office shall attain certification within twelve months of beginning such new term. The former Acting Assessor remained in office from 2011 until June 2018 without the required qualifications.

The Nassau County Charter § 601 establishes the Department of Assessment and the County Assessor position, “who shall be appointed by the County Executive, for a term of three years, subject to confirmation by the County Legislature.”

The duties of the Assessor (§ 602) are to “assess all property situated in the County and liable to taxation for state, county, town, school and/or special district purposes and to prepare the assessment roll with the assistance of the Deputy Assessors.”

The former Acting Assessor’s actual title in the County’s Human Resources System was “Chief Deputy Assessor” but he was referred to as Acting Assessor by the County Executive for eight years, 2011-2018. (See pictorial below)

Findings and Recommendations

October 27, 2017

Assessment | Nassau County, NY - Official Website Page 1 of 1

CONTACT US

COUNTY EXECUTIVE

Under "Contact Us" was a picture and name of the Former County Executive

The Former County Executives picture was right above the Acting Assessor's name and title

Acting County Assessor
Contact Us

County Assessor's Office
240 Old Country Road
Mineola, NY 11501
Ph: 516-571-1500
Hours
Monday - Friday
8 a.m. - 4:30 p.m.

Assessment

The Department of Assessment is responsible for developing fair and equitable assessments for all residential and commercial properties in Nassau County on an annual basis. Nassau County's assessment roll includes over 423,000 properties with a value of \$264 billion. It is the second largest assessing entity in the State of New York after New York City.

Responsibilities

The Department of Assessment collects and records relevant residential, commercial and industrial property information. We validate over 20,000 building permits each year by confirming all new construction and including the new value on the next assessment roll. The department maintains property records, tax maps, answers public inquiries, assists the public through its outreach program, and processes applications for property tax exemptions and the Basic and Enhanced STAR programs for qualifying Nassau County homeowners.

Assessment | Nassau County, NY - Official Website Page 1 of 1

By appointing and promoting an uncertified acting assessor, it appears that the former County Executive effectively controlled Assessment decisions. The former County Executive signed two Executive orders stopping the annual reassessment. This technical "freeze" of the assessment roll hindered the former Acting Assessor and the Assessment Department from meeting obligations to value every property at current market value in a fair and equitable manner, and prevented the Assessment Department from keeping an accurate tax roll, fixing known mistakes, and updating for recent sales on an annual basis. An "Acting Assessor" could essentially be removed by the County Executive at any moment, as he did not receive Legislature approval and did not have a protected term.

In 2017, the Nassau County Legislature adopted a Local Law which no longer allows acting department heads to serve more than six months without confirmation by the Legislature.³¹

³¹ The Nassau County Charter, April 2, 2018, Article II Executive, §203. Responsibility for administration; powers of appointment and removal: No individual shall serve as acting head of a county department or office for a period longer than six months without confirmation by the County Legislature, to the extent such confirmation is required under this subsection or any other provision of this Charter. (Amended by Local Law No. 12-2017, signed by the County Executive December 26, 2017.)

Findings and Recommendations

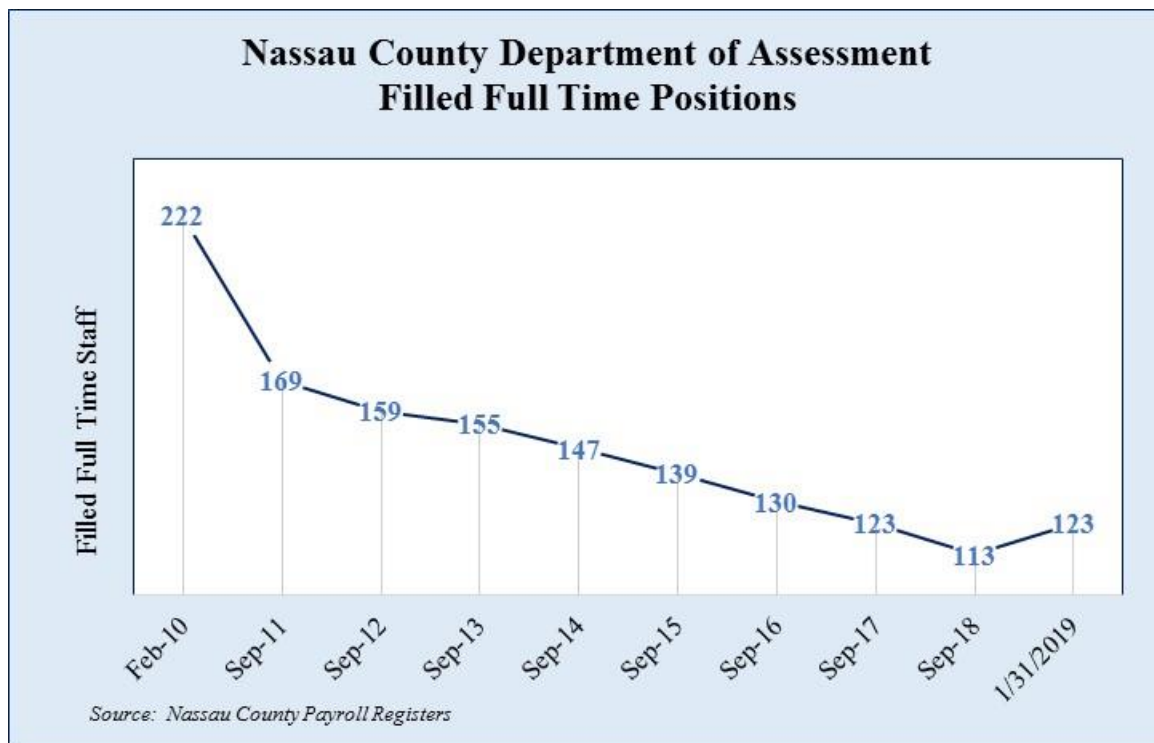
It is also noted that the Nassau County Charter³² provides for a three year term of office for the Assessor while the NYS Real Property Tax Law³³ provides for a six year term for an Assessor. A six year term could allow more independence for an Assessor.

By appointing an acting Assessor, the former County Executive was able to bypass both of the term limits mentioned above and effectively control the Assessment Department for eight years.

During the same time period, the full-time staff at the Department of Assessment decreased by 49%, while overall County full time staffing (exclusive of Nassau Community College), decreased by approximately 16%. No other County Department experienced as large a decline in total filled positions between 2010 and 2018 than the Assessment Department. Exhibit V below shows total filled positions in the Department of Assessment.

Exhibit V

Exhibit V shows the number of total filled positions in the Department of Assessment for one pay period per year from 2010 to 2019.



³² Nassau County Charter Section 601.

³³ NYS Real Property Tax Law Section 310 Paragraph 2.

Findings and Recommendations

While the current appointed Assessor meets all qualifications and is approved by the Legislature, the former Acting Assessor did not meet any of the other minimum qualification standards set by the Nassau County Charter.³⁴

Several steps have been taken to improve the operations of the Assessment Department:

- The new County Executive hired an Assessor in June of 2018 who possesses the proper certifications for the first time in eight years;
- The new County Executive and Legislature created over 80 new full time positions in the Department of Assessment in the 2019 budget to help improve staffing levels at the Department; and
- The County Legislature changed the County Charter to prohibit acting department heads from remaining in an acting capacity for more than six months.

Audit Recommendations:

We recommend:

- a) The County Executive & Legislature take steps to modify the Nassau County Charter to be consistent with NYS Real Property Tax Law, which provides that assessors be appointed to a six-year term, not the three-year term in the Charter.
- b) All future County Executives appoint only qualified individuals with proper certifications to be County Assessor.

AUDIT FINDING (4)

(4) Nassau County's Low Level of Assessment Percentage Leads to Disproportionate "Personally Owned Clergy Property" Exemptions, Removing an Excess of \$272 Million in Taxable Value Annually

Auditors found that 88% of the properties personally owned by clergy that were approved for a **partial** Clergy Exemption³⁵ actually received a **100%** exemption of assessed value. This means that many individuals receiving this exemption pay no County or school taxes rather than paying a reduced amount.

³⁴ Minimum qualifications include a degree from an accredited four-year college and one year of satisfactory full-time paid experience in an occupation involving the valuation of real property; or a degree from an accredited two-year college and two years of satisfactory full-time paid experience in an occupation involving the valuation of real property; or designation by the International Institute of Assessing in one of five specific titles.

³⁵ NYS Exemption Code 41400, defined as Real property that is owned either (1) by a member of the clergy who is engaged in the work of his or her religious denomination or who is unable to perform such work because of age (over 70 years) or impaired health or (2) by the un-remarried surviving spouse of such a member of the clergy is exempt from general municipal and school district taxes to the extent of \$1,500 of assessed value, provided that the owner is a resident and inhabitant of New York State. Such property is liable for special ad valorem levies and special assessments.

Findings and Recommendations

New York State law limits this exemption with a \$1,500 Cap³⁶ on Assessed Value **instead of using a flat percentage (%) of Assessed Value, as used for other exemptions.**

In Nassau County, Assessed Values are calculated by applying a low ratio to the Market Value. As a result, after applying the ratio, the Assessed Values of most Clergy properties fall below the \$1,500 Cap, inadvertently causing excessive exemptions.

There were 694³⁷ properties in 2016 that received clergy exemptions with a Market Value worth \$272.8 million that should have been limited to a total of \$1 million using the cap. This resulted in excess exemptions totaling \$271.7 million. (See Appendix C for details).

These 694 exemptions shifted an estimated \$8,000,000 in overall property taxes from those receiving the exemption to those that did not. Over the last decade, these exemptions removed more than \$2 billion of market value from the tax base shifting an estimated \$80 million in overall property taxes, of which approximately \$13 million was for the County portion³⁸.

To illustrate how this occurs, we used an actual property that received the clergy exemption in 2016. As seen in Exhibit VI below, instead of assessing a property at a market value of \$422,400, Nassau County Assessment applied a ratio of .0025, known as the Level of Assessment (LOA)³⁹, and calculated the Assessed Value at only \$1,056, which is well below the \$1,500 exemption CAP. As a result, this partial exemption which was meant to be capped at \$1,500 now inadvertently becomes a full 100% exemption.

By using a LOA of .0025, any property with a \$600,000 or less market value would fall beneath the \$1,500 CAP and be fully exempt. In September 2018, Nassau County changed the LOA to 1/10 of 1% (.0010) effective for tax year 2020/21. The new change of LOA to .001 will mean that Clergy owned private property valued at \$1.5 million or below will be fully exempt.

³⁶ The clergy exemption is capped at a maximum of \$1,500 of assessed value provided the owner is a resident and inhabitant of New York State.

³⁷ NYS reported 745 Exemptions (Exemption Code 41400) in 2016. Nassau County Assessment provided the Auditors with a list of 741. We reviewed the list, removed duplicates and declined exemptions reducing the count to 694.

³⁸ Based 2016 estimated Market Values and using Nassau County's overall full-value tax rate for 2016, estimated by New York State at \$29.40 per \$1,000 of full value, rounded to the nearest tenth of a dollar. The 2016 average county portion outside of New York City was estimated at \$4.8 per \$1,000 of full-value. The overall full value tax rate is estimated based on a combination of levies, for county, city, town, village, school district, and certain special district purposes. Due to the complexity of taxing jurisdictions and Nassau County having a 4-class property tax system, it is not possible to determine a countywide class-specific rate.

³⁹ The Level of Assessment is the percentage of full market value at which assessments are, on average, made in a given assessing unit. Nassau County Department of Assessment values residential property using a Level of Assessment of ¼ of 1% (.0025).

Exhibit VI

Exhibit VI below illustrates how applying the Level of Assessment of .0025 to the Market Value causes a single property's Assessed Value to be below the Clergy Exemption Cap and resulted in the removal of \$420,900 from the tax base, **for one property.**

Effect On Taxable Value When Assessing One Nassau County Clergy Owned Property Using A Low Level Of Assessment (LOA) Rather Than Market Value				
Assessed Value Using	Market Value	Assessment Value	Partial Clergy Exemption Cap	Taxable Value
Market Value	\$ 422,400		\$ 1,500	\$ 420,900
Level of Assessment (.0025 x \$422,400)		\$ 1,056	\$ 1,500	\$ -

After applying the Clergy Exemption, the property above should have had a taxable market value of \$420,900 but instead became 100% tax exempt.

This reduction to the overall tax base becomes a burden on the remaining taxpayers, who do not receive this exemption, causing them to make up the difference in the General and School tax obligations not paid by Clergy for their personal real estate.

It is important to note that this finding relates to a specific code of property (NYS Exemption Code 41400) meant to be a **partial exemption for property personally owned by clergy** and **does not apply to property owned by actual Religious Corporations or Institutions which qualify as wholly exempt, receiving a full 100% exemption.**

In recent years, the number of exemptions for Religious Corporations or Institutions **grew only by 7%** (2008 through 2017), while the **exemptions for property personally owned by clergy increased by 76% over the same time period.**

Auditors' analysis⁴⁰ of exemptions on personally owned clergy property found that:

- 88% (610 of the 694) of properties that qualified for a **partial** Clergy Exemption⁴¹ actually received a **full 100%** property tax exemption resulting in the unintended removal of approximately \$226.7 million from the 2016 Taxable Base.

⁴⁰ See Appendix C for detailed analysis.

⁴¹ NYS Exemption Code 41400, defined as Real property that is owned either (1) by a member of the clergy who is engaged in the work of his or her religious denomination or who is unable to perform such work because of age (over 70 years) or impaired health or (2) by the un-remarried surviving spouse of such a member of the clergy is exempt from general municipal and school district taxes to the extent of \$1,500 of assessed value, provided that the owner is a resident and inhabitant of New York State. Such property is liable for special ad valorem levies and special assessments.

Findings and Recommendations

- In all, if properly applied, the \$1,500 exemption cap would have limited total exemptions for 694 properties to no more than \$1,041,000 of total Market Value, instead of \$272,809,639.
- In total, the application of this CAP resulted in the elimination of 94% of Clergy owned property from the Taxable Base in 2016.

We estimated the impact of the clergy exemption over 10 years to illustrate its long-term effect on those not receiving the Exemption. Exhibit VII below quantifies the effect on Nassau County Taxpayers when applying a fixed CAP Exemption to an Assessed Value calculated using a fractional Level of Assessment (LOA).

Exhibit VII

Exhibit VII summarizes the annual and ten-year tax impact of excess exemptions being granted.

Estimated Excess Exemptions Shift the Overall and Nassau County Property Tax Burden to those Not Receiving the Exemption as Follows		
	Overall Property Tax	Nassau County Portion of Taxes
Amount Annually Shifted in Taxes	\$7,989,998	\$1,304,489
Amount Shifted in Taxes over Ten Years	\$79,899,980	\$13,044,890

The main reason that this issue exists in Nassau County is how the New York State Law was written coupled with Nassau's low level of assessment. If the exemptions were based on a percentage of Assessed Value rather than a set dollar Cap, regardless of how the County assesses the property, the same percentage would apply to any valuation method used.

For example, the NYS Volunteer Firefighters / Ambulance Workers Exemption was written to provide eligible volunteers with a 10% exemption, not a set capped dollar amount. In the case of a firefighter exemption, whether the property's Assessed Value is based on Market Value or a portion of Market Value using a .0025 Level of Assessment⁴² the property would only receive a 10% reduction of the resulting Assessed Value, keeping the proportionate share of the exemption the same.

Of the approximately 1,110 assessing units in New York State, 981 are towns and cities and only two are counties. Along with Nassau County, Tompkins County is the only other County in New York State that performs property assessments at the County level. However, Tompkins County

⁴² In September 2018, Nassau County lowered the Level of Assessment for Tax Year 2020/21 from .0025 to .001. **Lowering the level of assessment will result in more clergy properties being valued below the \$1,500 cap thus increasing the number that already receive a full exemption.**

Findings and Recommendations

assesses property at a 100% Level of Assessment while Nassau County used a Level of Assessment of .0025%.

As a result, in Exhibit VIII below, when Tompkins County applies the \$1,500 cap to the partial Clergy Exemption it is an actual dollar for dollar exemption and results in less than 1% of the property value being exempt, unlike 100% of the value being exempt in Nassau County.

Exhibit VIII

Exhibit VIII provides a comparison of clergy exemptions in Nassau County and other New York State counties.

2016 Multi County Comparison						
Effect of Equalization Difference ⁽¹⁾ on a Clergy Exemption						
This chart illustrates how Nassau County's low Level of Assessment has inadvertently allowed the Clergy Exemption to result a 100% full exemption, instead of a partial exemption.						
Municipality	State Equalization Rate ⁽¹⁾	Sample Fair Market Value for Comparison	Assessed Value ⁽²⁾	Partial Clergy Exemption CAP	Taxable Value ⁽³⁾	Exemption as a % of Assessed Value
Tompkins County	100.00	\$ 500,000	\$ 500,000	\$ 1,500	\$ 498,500	0.3%
Nassau County	0.0027	\$ 500,000	\$ 1,350	\$ 1,500	\$ -	100%
Suffolk County	0.2534	\$ 500,000	\$ 126,700	\$ 1,500	\$ 125,200	1.2%
Westchester	0.3473	\$ 500,000	\$ 173,650	\$ 1,500	\$ 172,150	0.9%
NYC	0.3419	\$ 500,000	\$ 170,950	\$ 1,500	\$ 169,450	0.9%
Albany	0.827	\$ 500,000	\$ 413,500	\$ 1,500	\$ 412,000	0.4%

⁽¹⁾ Based on the applicable State Equalization Rates by county (from the NYS ORPTS Website) applied to a consistent example of \$500,000 FMV for comparison purposes. An Equalization Rate is a weighted average ratio of the total assessed value in a municipality divided by the total market value. For example, an equalization rate of 20% indicates that assessments were at an average of one-fifth of market value when the equalization rate survey was made. Nassau municipalities have multiple LOA's resulting in a .0027 Equalization Rate.

⁽²⁾ State Equalization Rate multiplied by the Fair Market Value (FMV).

⁽³⁾ Remaining Assessed Value after applying the Clergy Exemption capped at \$1,500 of Assessed Value.

⁽⁴⁾ Tompkins County assesses property maintaining a 100% Level of Assessment and has a corresponding State Equalization Rate of 100%.

Based on the low Level of Assessment, Nassau may be the only county in New York State where the partial clergy exemption results in a full exemption due to assessment practices.

Audit Recommendation:

We recommend that the Nassau County Department of Assessment pursue this issue with the NYS Office of Real Property Tax Services and discuss the need for statutory changes of the Exemption for real property owned by a member of the clergy, so that the exemption is based on a percentage of Assessed Value instead of a set dollar cap.

AUDIT FINDING (5)

(5) The Department of Assessment Approved Tax Exemptions Received After the Taxable Status (Due) Date, in Some Cases Over Five Months Late, Which Can Result in Favoritism and Increasing the Tax Burden for Others

Auditors randomly sampled approved exemption applications for four exemption types, between 2013 and 2016, noting that **30% (89 of 294 examined) were received after the statutory due date** (known as the taxable status date of January 2nd). Nassau County Department of Assessment approved these exemptions even though the applications were received late, and **some were received as late as 175 days past the due date.**

The practice of accepting applications after the stated due date without adequately notifying the public that certain exceptions may exist suggests that internal controls are not properly utilized, providing a fertile environment for favoritism⁴³ to proliferate.

Exhibit IX, below, shows that 30% of the application samples reviewed were received late.

Exhibit IX

Exhibit IX provides a summary of the “aging analysis” completed for exemptions applications which were approved after established cut-off dates.

Analysis and Aging of Late Exemption Applications									
Sampled Applications				Aging of Late Applications					
	Sample	Late	% Late	Days Submitted After Due Date					
				1-30	31-60	60-90	91-120	121-175	
Totals	294	89	30%	26	19	23	15	6	
	<i>% of Late Applications Sampled</i>			29%	21%	26%	17%	7%	

There are special exceptions⁴⁴ allowing for the acceptance of late applications. However, during our test work, we noted that the **reasons for accepting these late applications were not documented nor supported** within the files making it difficult to verify if the extensions were legitimate.

⁴³ Defined by Dictionary.com: Favoritism is the favoring of one person or group over others with equal claims; partiality

⁴⁴ Examples of situations that may allow Senior Exemption applications to be received late can be found at https://www.tax.ny.gov/research/property/assess/manuals/vol4/pt1/sec4_01/p17qa2.htm#q_a

Findings and Recommendations

During testing, Auditors asked one of the exemption area managers if they adhered to the stated application deadline and we were told that the Department **processed applications until the Tax Roll is finalized by the Assessor, usually around June 1st.**

Assessment application forms and/or instructions, for all sampled exemption types, specifically state that the due date is January 2nd, the Taxable Status date. New York State identifies Nassau County's taxable status date as January 2nd.

Assessment should be consistent in applying the rules of its exemption granting process, and not allow applications to be accepted after the stated due date. Those that are not aware that applications continue to be accepted, after the due date, may not file and are effectively penalized for adhering to the rules. **Proper internal control procedures can prevent or detect inequities or favoritism.**

Audit Recommendations:

We recommend that the Department of Assessment:

- a) Adhere to application guidelines and deny applications received after the due date, barring acceptable legitimate reasons; and
- b) Adequately document files and retain supporting documentation for those applications that have acceptable reasons and are legitimately accepted even though they were received after the statutory due date.

AUDIT FINDING (6)

(6) The Auditor's Sample Test Indicated that 29% of Approved Senior Citizen Exemptions Should Have Been Rejected Based on Miscalculations of Income or Missing Documentation

The Auditors examined Senior Citizen Exemptions from 84 properties (with a total Market Value of \$29,854,400) and determined that \$1,170,020 (4.0%) was incorrectly removed from the tax base because of calculation errors and/or missing supporting documentation.

The filing requirements for this exemption include proof of income, proof of age, and proof of primary residence. The Auditors tested Assessment files to verify the filing requirements were met. The Auditors determined that 29% (24 of 84) of the Senior Citizen Exemption files reviewed were not properly approved. Calculation errors were found in 12 files and another 12 files were missing some type of supporting documentation resulting in verification issues.

The errors consisted of:

- Calculation errors including **the omission of income or lack of supporting documentation for expenses that affected the calculations that were used to make approval decisions** based on thresholds.
- Missing supporting documents such as proof of:

Findings and Recommendations

- Age;
- Permanent residency at the property; and
- Ownership of the property.

Improperly approved tax exemptions transfer the tax burden to other property owners. Properties receiving erroneous exemptions will reduce their taxable value which results in a lower overall County tax base, consequently, disproportionately increasing the effective tax rate of those not receiving the tax exemption.

Per the NYS Comptroller, to receive an exemption, a property owner must submit a valid application with proper supporting documentation and may need to update this documentation annually. However, NYS audits have found instances where assessors did not collect adequate documentation to support granting or continuing to provide exemptions.

Audit Recommendations:

We recommend that Nassau County Department of Assessment:

- a) Verify all income and expenses reported on all Tax Exemption applications to proper supporting documentation;
- b) Implement supervisory procedures to ensure that all supporting documentation is received and reviewed prior to approval; and
- c) Develop a standard worksheet for application reviewers that provides consistency with respect to determining income.

AUDIT FINDING (7)

(7) Assessment Did Not Recover 85% of Ineligible Exemptions Received By Estates and are Allowing Some Exemptions to Continue Under the New Owners

Estates⁴⁵ are not entitled to receive Property Tax Exemptions. Auditors determined that 35% of estates tested improperly received exemptions and that the Department of Assessment did not recover the appropriate amounts from the selling estate and/or the buyer in any of those cases. Further, these exemptions were not removed and/or restored to the tax rolls in a timely manner.

NYS Law does not allow estates to receive Property Tax Exemptions⁴⁶. Exemptions expire upon the death of the decedent and resulting invalid exemption amounts are recoverable by the County as of that date. The Department can only restore taxes on a parcel for the current year

⁴⁵ An **estate** is a legal **entity** created as a result of a person's death. The decedent's **estate** is a separate legal **entity** for federal tax purposes. An **estate** consists of real and/or personal property of the deceased person.

⁴⁶ Volume 8 – Opinions of Counsel SBEA No. 90 (NYS Real Property Tax Law §§ 302, 520) found at https://www.tax.ny.gov/pubs_and_bulls/orpts/legal_opinions/v8/90.htm

Findings and Recommendations

and the immediately preceding tax year, in accordance with the settlement of the 2009 case between Broadval, L.L.C. vs. County of Nassau.⁴⁷

Auditors tested 43 estates (closed between 2013 and 2016) to determine if monies from Property Tax Exemptions on real property owned by those estates were recovered, exemptions were removed and property taxes were restored to the tax rolls upon the decedent's death. The County should recover invalid Property Tax Exemptions through subsequent property tax bills containing line items labeled "Restored Taxes".

Exhibit X, below, summarizes our findings. Auditors determined 15 of 43 estates tested actually received 19 invalid exemptions totaling \$40,292. Of the 19 invalid exemptions found, recoveries ranged anywhere from 2-14 years from the disqualifying event, the date of death. The Department of Assessment recovered a total of only \$6,199 through restoration of taxes in subsequent years. **The County did not recover the full amount of invalid exemptions in any of those 19 cases.**

Exhibit X

Exhibit X provides details of the tax revenue lost by improperly granting property tax exemptions to estates.

Tax Revenue Lost from Improperly Granted Exemptions⁽¹⁾ Owned by Estates				
# of Years from Death Before Exemptions Restored	# of Invalid Exemptions Received by 43 Estates Tested	Accumulated Dollar Amount of Invalid Exemptions	Total Taxes Recovered	Tax Revenue Lost from Invalid Exemptions
2	3	\$ 1,867	\$ 968	\$ 899
3	8	\$ 9,485	\$ 3,426	\$ 6,059
4	3	\$ 4,353	\$ 1,075	\$ 3,279
5	1	\$ 752	\$ 163	\$ 589
10	1	\$ 1,814	\$ 194	\$ 1,621
14 ⁽²⁾	3	\$ 22,021	\$ 373	\$ 21,647
Grand Total	19	\$ 40,292	\$ 6,199	\$ 34,093

⁽¹⁾ From a sample of 43 Estates closed between 2013-2016
⁽²⁾ \$17,129 is unrecovered from one property of which \$16,491 is from a Basic Star Exemption.

Auditors noted that although not timely, eventually after both the sale of the real estate and the closing of the estate occurred, the invalid exemptions were removed (between 1-3 years after estate closings) from all the properties and they were restored (added back to the tax rolls) to future tax years.

⁴⁷ Broadval L.L.C. v County of Nassau, 2009.

Findings and Recommendations

This indicates that the property data was eventually updated but exemption removal was not timely increasing the risk that invalid exemptions will remain undetected and unrecovered increasing the effective tax rate for all other taxpayers.

If a property remains in an estate for an extended period of time, i.e. 20-30 years, it could realize the benefit of any exemption that does not require recertification until the property is sold. As demonstrated in the above exhibit, not all exemptions would be recovered.

Although the County is not present or represented at the closing and sale of real property, the County has the right to place a lien on the property to recover invalid exemptions, "Caveat emptor."⁴⁸ As a result, unrecovered exemptions become the new owner's responsibility.

During testing, the Auditors also noted two of the properties within the sample were owned by the same individual. We determined one property received 11 years' worth of Veteran Exemptions (totaling \$1,804) while the other received 10 years of Veteran Exemptions (totaling \$2,137) during the same time period. This indicates that one or both were not the primary residence, making all exemptions for one or both properties invalid.

Veteran Exemptions require the property be the applicant's primary residence thus the same individual should not be able to claim exemptions on two different properties at the same time. Veteran Exemptions do not require annual recertification and the applications do not require a Social Security number. Had both of these been required, the Department of Assessment could have implemented control procedures that would have identified and prevented the duplicate exemptions.

Assessors in other states have controls to prevent this. Pursuant to California State Revenue and Taxation Code Section 480(b), "The personal representative shall file a change in ownership statement with the county recorder or assessor in each county in which the decedent owned real property at the time of death that is subject to probate proceedings. The statement shall be filed prior to or at the time the inventory and appraisal is filed with the court clerk." Failure to file a Change in Ownership Statement within the time allowed by Law can result in as much as a \$20,000⁴⁹ fine.

Audit Recommendations:

We recommend that:

- a) The Department of Assessment explore the benefits of creating a standard "Tax Exemption Restoration Affidavit" to be filed upon each property sale/transfer as a requirement before a deed can be recorded.
 - The affidavit should require the parties to the transaction identify all property exemptions, recover invalid prior and current year prorated exemptions, and remit appropriate funds to the County. This should detail invalid exemptions received

⁴⁸ Caveat emptor is the principle that the buyer alone is responsible for checking the quality and suitability of goods before a purchase is made otherwise known as "Let the buyer beware."

⁴⁹ Fines start at nominal amounts and lead to higher amounts.

Findings and Recommendations

by the Estate. This will ensure that invalid exemptions are recovered and collected;

- A copy of the Affidavit be forwarded to the Department of Assessment and procedures developed to ensure timely review and removal of the exemptions and full restoration of taxes for current and subsequent tax years;
- b) Assessment require annual verification of Veteran Exemptions;
- c) Assessment require social security numbers be provided with the application and annual verification for all Exemption types that have a primary residence criteria;
- d) Assessment create and implement procedures to use social security numbers to ensure that property owners do not receive exemptions on more than one property for those exemptions with primary residence requirements; and
- e) Nassau County explore the potential benefits of creating and requiring the filing of a 'Change of Ownership Statement' and create procedures to review and remove all related exemptions ensuring that invalid exemptions are removed timely.

AUDIT FINDING (8)

(8) The Department of Assessment's Exemption Counts are Inconsistent with NYS Counts and Some Exemptions are Invalidly Coded

Exemption count totals provided to the Auditors by the Assessment Department, did not match totals listed on the NYS ORPTS⁵⁰ Website for Nassau County. The totals should match as the County provides the data to NYS ORPTS. Each exemption type has a specific NYS Exemption Code Number associated with it⁵¹.

Auditors found the following for 2016:

- Assessment provided a list of 409,154 exemptions to the Auditors, while NYS lists only 377,193. Auditors examined the differences and determined the majority of the differences were related to duplicates⁵², but Auditors were still unable to justify approximately 1,165 exemptions. We also found that 51 out of 66 Exemption Code types used between Nassau and NYS have exemption counts that do not equal each other.

⁵⁰ The Department of Assessment reported different numbers to NYS Office of Real Property Management (NYS ORPTS), then they provided to the Auditors.

⁵¹ See appendix A for a list of NYS Exemption Codes.

⁵² NYS recently passed legislation allowing school districts the authority to adopt property tax exemptions for veterans. Previously these exemptions were for County, Towns and Villages. As a result of the change, in 2016, Assessment added 3 new exemption codes to record these new exemptions. These same exemptions are now counted once for the county and a second time in those school districts that adopted the exemption.

Findings and Recommendations

- Six Exemption Codes listed on the NYS website were not provided to the Auditors by the Nassau County Assessment Department. There were 182 exemptions within these six Exemption Codes.
- NYS ORPTS listed 19 Nassau County exemptions as “Invalidly Coded Exemptions” (See Appendix A). A total of 670 Invalidly Coded Exemptions were identified by NYS ORPTS over 10 years.

When questioned by the Auditors about the invalid codes, the explanation provided by the former Acting Assessor, was that one of the codes was used as a “Grandfathered” code for Home Improvement exemptions but he could not determine who authorized the creation of the code or explain the other exemptions that were coded as invalid. This indicates that these invalid exemptions may not have been properly reviewed, approved or legitimately received.

The 19 Invalidly Coded Exemptions, from 2016, resulted in the exemption of over \$78 million of Assessed value (see Appendix A). Associated property taxes for this amount were therefore shifted to other taxpayers. Allowing exemptions which cannot be explained or defined is a significant accountability issue.

Exhibit XI below lists the annual count and estimated market value removed from the tax base as a result of Invalid Exemption Codes identified by NYS ORPTS. Auditors determined that seven different invalid codes were associated with the 670 Invalidly Coded Exemptions over 10 years.

Exhibit XI

Exhibit XI provides a summary of invalidly coded property tax exemptions for Nassau County as per the NYS Office of Real Property Tax Services.

2008-2017 Invalidly Coded Exemptions ⁽¹⁾		
Year	# of Exemptions	Exempt Value
2008	33	\$ 225,396,000
2009	16	\$ 320,294,000
2010	168	\$ 41,426,000
2011	171	\$ 28,533,000
2012	149	\$ 29,485,000
2013	49	\$ 28,839,000
2014	28	\$ 28,478,000
2015	19	\$ 69,343,000
2016	19	\$ 78,236,000
2017	18	\$ 73,768,000
Total	670	\$923,798,000
⁽¹⁾ Per NYS ORPTS Website		

Findings and Recommendations

To determine if these exemptions were valid, Auditors requested detailed support and an explanation from the former Acting Assessor as to why they were in this category and how they were authorized. He was unable to provide an explanation. Repeated attempts to obtain verifiable data resulted in different totals being provided to the Auditors, making it difficult to satisfactorily verify counts.

At a minimum, this indicates that over ten years, exemptions worth approximately \$923,798,000 of Assessed Value were not properly reviewed and/or approved. If deemed invalid, over ten years, these exemptions improperly shifted the tax burden of \$27,159,661 in overall property taxes to those not receiving those exemptions, with the County portion being approximately of \$4,434,230⁵³.

Audit Recommendations:

We recommend that the new Assessor:

- a) Identify and review the invalidly coded exemptions to determine if they were legitimate exemptions;
- b) Ensure procedures are in place for the Department of Assessment to address any exemptions that New York State lists as “not properly coded” in the future;
- c) Review and reconcile the differences in exemption counts reported to New York State for past years; and
- d) Implement accountability in the computer system for coding exemptions (i.e. those granting exemptions leave a digital fingerprint) or prevent the system from allowing a code that is not a valid NYS code.

⁵³ Based on Nassau County’s overall full-value tax rate for 2016, estimated by New York State at \$29.40 per \$1,000 of full value, rounded to the nearest tenth of a dollar. The 2016 average county portion outside of New York City was estimated at \$4.8 per \$1,000 of full-value.

The overall full value tax rate is estimated based on a combination of levies, for county, city, town, village, school district, and certain special district purposes. Due to the complexity of taxing jurisdictions and Nassau County having a 4-class property tax system, it is not possible to determine a countywide class-specific rate.

AUDIT FINDING (9)

(9) Nassau County is Not in Compliance with NYS Regulations Requiring an Exemption Impact Report be Attached to the County Preliminary Budget and Does Not Report Adequate County Performance Measures

Nassau County is not in compliance with NYS Real Property Tax Law⁵⁴ which requires counties, cities, towns, villages and school districts to attach to their tentative/preliminary budgets **an Exemption Impact Report. In addition, noteworthy performance measures are not disclosed in the County's Budget.**

NYS requires that a Notice of the Exemption Impact Report be included in any notice of the preparation of the budget. Also, the report is required to be posted on any bulletin board maintained by the budgeting authority for public notices and on any website maintained by the budgeting authority. In addition to being attached to the tentative/preliminary budget, the report should also be part of the final budget. The County's budget documents, from 2015 through 2018, do not include an **Exemption Impact Report** nor are Auditors aware of such a document being posted or disclosed.

The Exemption Impact Report is required to show how much of the total assessed value on the final assessment roll used in that budgetary process is exempt from taxation. The law requires exemption reports to include:

- Every type of exemption granted by the taxing authority, and the cumulative impact of each type of exemption (in either dollar amount of assessed value or as a percentage of the total assessed value on the roll);
- The cumulative amount expected to be received from recipients of each type of exemption as payments in lieu of taxes or other payments for municipal services; and
- The cumulative impact of all exemptions granted.

It should be noted that the 2017 County of Nassau Comprehensive Annual Financial Report (CAFR) included the total number of Basic STAR, Enhanced STAR, Veterans and Solar Energy Exemptions. However, these were only a portion of the exemption types granted each year and do not include every type or the cumulative impact (either in dollars or percentage).

The only other county in the state of New York that performs assessments at the county level is Tompkins County, which includes an Impact Statement in their Budget. Auditors reviewed the budgets for the Towns of Smithtown and Huntington which both included an Exemption Impact Report.

Impact Statements clearly disclose the effects of the exemptions to the taxpayer and also give the reader an idea of the volume of the exemptions processed by Assessment.

⁵⁴ Chapter 258 of the Laws of 2008 added Section 495. The measure is effective October 5, 2008 and applies to budgets for fiscal years commencing on and after that date requiring an Exemption Impact Report be included in any notice of the preparation of the budget otherwise required by law.

Findings and Recommendations

The Towns of Islip and Huntington both report how much the Tax Office collects in pro-rata taxes for exemptions removed when a property is transferred. Nassau County does not.

Auditors noted that Assessment only reports two basic performance measures in the County's annual budget:

- **the Percentage of Field Inspections Performed, and**
- **the Percentage of Sales Validated.**

Proper internal controls require that supervisors and/or management periodically review workflow to ensure accuracy of data. As noted in Finding 1, organizations should use monitoring procedures, including but not limited to analysis of, and appropriate follow-up on, operating reports or **metrics** that might identify anomalies indicative of a control failure and supervisory reviews of controls.

The Department of Assessment is responsible for developing fair and equitable assessments for over 423,000 properties annually, including residential and commercial properties. It maintains property records, tax maps, answers public inquiries, assists the public through outreach programs, and processes applications for property tax exemptions yet none of these are disclosed as performance measures in the annual budget.

Examples of performance measures which the Department of Assessment may track and report on include:

- **the number of exemptions applied for, approved and denied;**
- **the types of exemptions applied for, approved and denied; and**
- **the financial impact of approved exemptions.**

Audit Recommendations:

We recommend that the Department of Assessment:

- a) Review NYS reporting requirements and develop procedures to ensure that they are in compliance and remain compliant moving forward, and
- b) Identify and review potential performance measures that can be tracked to help perform departmental work more efficiently, such as the number of exemptions applied for, and disclose the results to the public.

AUDIT FINDING (10)

(10) The Department of Assessment Does Not Maintain Adequate Procedures and Auditors Found that Income on Senior Exemptions were Calculated Differently by Different Employees

The Department of Assessment **does not maintain a complete set of operating procedures** in a centralized location. The operating procedures provided to the Auditors for the processing of exemptions:

- do not consistently reflect the procedures being followed by the Exemption Unit;
- do not include procedures for all exemption types; and
- the procedures that were provided were incomplete, outdated, or were photocopies of New York State Real Property Tax Law requirements or procedures from other municipalities instead of Nassau County Assessment's procedures.

Auditors requested copies of current policies and procedures for reviewing, approving, recording and granting exemptions. **No procedures were provided for Clergy Exemptions** causing the Auditors to use excerpts from the NYS Department of Taxation Assessor's Manual to determine eligibility requirements, limitations on exemptions and exemption calculations.

Procedures were provided for Senior Citizen Exemptions, Volunteer Firefighter/Ambulance Worker Exemptions, Enhanced Star and Veterans Exemptions but the following issues were noted for the procedures that were provided:

- *Senior Citizen Exemption procedures do not provide specific steps for calculating the applicant's gross income in order to verify that the applicant qualifies for the exemption.* Specifically, income tax returns that contained income derived either from self-employment or rental properties did not instruct reviewers on the acceptable expense categories used in calculating net income. **As a result, auditors found that clerks reviewing Senior Citizen Exemptions were performing this calculation differently and were using individual judgement as to which items to apply to the income threshold.**
- *Volunteer Firefighter/Ambulance Worker Exemption procedures* were actually a copy of procedures used by the Town of Babylon, Suffolk County.
- *Enhanced Star Program procedures* were outdated, incomplete and inaccurate:
 - a) The sliding scale for income was capped at \$32,400 when the income cap for our testing period was \$37,399.
 - b) The procedures noted that property owners must be 65 years of age or older by December 31, 2006 (instead of 2016). It appears this procedure has not been updated since 2006 and implies that anyone becoming 65 years old after that date does not qualify for the exemption.

Findings and Recommendations

- c) The procedure identifying income limits labeled “combined annual income must not exceed \$ ____” is left blank with a manually written question mark.
 - d) The procedures for the eligibility tests for Proof of Residency and Proof of Income both required 2004 tax documents (not 2016).
- *Veteran Exemption procedures* were dated January 2011. They did not update the procedures when towns added Veteran Exemptions for school property tax relief. The original Veteran Exemptions were for general taxes, subsequently various school districts have added the exemption to the school tax portion of their tax bill.

Audit Recommendations:

We recommend that the Department of Assessment:

- a) Update and/or create operating procedures for all the various exemption types used in Nassau County; and
- b) Assemble all procedures in one reference manual, copies of which should be provided to each unit supervisor.
- c) Provide adequate training to staff on policies and procedures to assure that exemption applications are properly and consistently processed.
- d) Implement a procedure to review and approve procedures on an annual basis.

Appendix A – Summary of Exemptions (Per NYS ORPTS)

Appendix A contains detailed information directly from the New York State Office of Real Property Tax Services website regarding 2016 property tax exemptions in Nassau County.

Note that Nassau County, along with other counties in New York State, provides information to the State to produce the reports included below.



NYS ORPTS Municipal Profile
[MuniPro](#) | [ORPTS Home](#) | [Help](#)

Nassau County
 Summary of Exemptions
 by Property Group and Exemption Code
 2016 Assessment Rolls

Group	Description	No. of Exemptions	Equalized Exempt Value (\$000) ¹
A	Residential Property Other Than Multiple Dwellings and Non-Residential Property Owned by Certain Individuals	364,534	44,164,927
B	Property of New York State Government and Agencies	1,228	6,215,998
C	Property of Municipal Governments and Agencies, School District, BOCES, and Special Districts	6,470	28,635,475
D	Property of U.S. or Foreign Governments and Agencies, International Or Interstate Agencies, and Indian Tribes	104	670,579
E	Property of Private Community Service Organizations, Social Organizations, and Professional Societies	3,330	11,298,867
F	Industrial, Commercial, and Public Service Property	1,026	2,840,188
G	Urban Renewal Property, Public Housing, and Private Subsidized Housing (Multiple Dwellings)	452	1,008,284
H	Agricultural and Forest Property	30	86,271
I	Invalidly Coded Exemptions	19	78,236
Totals:		377,193	94,998,825

Appendix A – Summary of Exemptions (Per NYS ORPTS)

Nassau County						
Summary of Exemptions by Property Group 2016 Assessment Rolls						
Group A: Residential Property Other Than Multiple Dwellings and Non-Residential Property Owned by Certain Individuals						
Exempt Code:	Exemption Description:	Number of Exemptions	Total Equalized Value of Exempt Parcels(\$000)*	Total Equalized Value of Exemptions(\$000)*	Percent of Value Exempted	% of Total County Exempt Value
4100_	VETERANS - CHANGE IN LEVEL	129	63,843	15,534	24.33	0.016
4110_	VETERANS - ELIGIBLE FUNDS	12,477	8,664,783	2,821,995	32.57	2.971
4112_	VETERANS-WARTIME/NONCOMBAT	23,890	15,858,857	1,275,612	8.04	1.343
4113_	VETERANS-WARTIME/COMBAT	14,671	11,439,272	1,462,046	12.78	1.539
4114_	VETERANS-WARTIME/DISABLED	3,475	3,720,354	265,186	7.13	0.279
4115_	VETERANS - COLD WAR (10%)	43	72,261	176	0.24	0.000
4116_	VETERANS - COLD WAR (15%)	2,595	2,622,756	149,501	5.70	0.157
4117_	VETERANS - COLD WAR (DISABLED)	103	125,115	8,821	7.05	0.009
41300	VETERANS-SERIOUSLY DISABLED	31	53,210	21,459	40.33	0.023
41400	CLERGY	745	386,952	363,126	93.84	0.382
4164_	VOL FIREFIGHTER-CERTAIN CNTYS	57	31,669	2,235	7.06	0.002
4168_	VOL FIREFIGHTER-CERTAIN CNTYS	3,932	3,231,198	188,755	5.84	0.199
4180_	PERSON AGED 65 YRS OR OLDER	10,102	8,407,130	1,960,706	23.32	2.064
41834	STAR - ENHANCED	43,661	26,010,460	9,499,040	36.52	9.999
41854	STAR - BASIC	245,586	132,099,605	25,947,079	19.64	27.313
4190_	PHYSICALLY DISABLED	285	162,861	26,658	16.37	0.028
4193_	PERSON W/DISABILITY & LTD INC	449	874,030	79,986	9.15	0.084
4411_	FIRST-TIME HOMEBUYERS	47	19,826	5,320	26.83	0.006
4421_	HOME IMPROVEMENTS	2,241	1,259,101	71,452	5.67	0.075
4950_	PRIVATE SOLAR/WIND SYSTEMS	14	6,332	166	2.62	0.000
49510	ENERGY CONSERV IMPRV:RESIDENT	1	3,052	74	2.42	0.000
Group A Total:		364,534		44,164,927		46.490

*((\$000) Equalized Values in Thousands

Nassau County						
Summary of Exemptions by Property Group 2016 Assessment Rolls						
Group B: Property of New York State Government and Agencies						
Exempt Code:	Exemption Description:	Number of Exemptions	Total Equalized Value of Exempt Parcels(\$000)*	Total Equalized Value of Exemptions(\$000)*	Percent of Value Exempted	% of Total County Exempt Value
12100	NY STATE OWNED PROPERTY	595	4,006,925	4,011,626	100.12	4.223
12350	PUBLIC AUTHORITIES- VARIOUS	633	2,204,353	2,204,372	100.00	2.320
Group B Total:		1,228		6,215,998		6.543

*((\$000) Equalized Values in Thousands

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Nassau County						
Summary of Exemptions by Property Group 2016 Assessment Rolls						
Group C: Property of Municipal Governments and Agencies, School District, BOCES, and Special Districts						
Exempt Code:	Exemption Description:	Number of Exemptions	Total Equalized Value of Exempt Parcels(\$000)*	Total Equalized Value of Exemptions(\$000)*	Percent of Value Exempted	% of Total County Exempt Value
13100	COUNTY OWNED: (GENERALLY)	2,408	5,668,033	5,594,548	98.70	5.889
13350	CITY OWNED PROP (GENERALLY)	132	154,337	154,337	100.00	0.162
13500	TOWN OWNED PROP (GENERALLY)	1,449	7,620,546	7,616,712	99.95	8.018
13650	VILLAGE OWNED (GENERALLY)	1,453	2,484,306	2,476,753	99.70	2.607
13800	SCHOOL DISTRICT PROPERTY	597	11,165,687	11,182,894	100.15	11.772
13870	SPECIAL DISTRICT PROPERTY	367	892,993	892,387	99.93	0.939
13970	REGIONAL OTB CORPORATION	6	10,627	10,627	100.00	0.011
14000	SPECIFIC LOCAL PUBLIC AUTHTY	58	707,767	707,217	99.92	0.744
Group C Total:		6,470		28,635,475		30.143

*((\$000) Equalized Values in Thousands

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Nassau County						
Summary of Exemptions by Property Group 2016 Assessment Rolls						
Group D: Property of U.S. or Foreign Governments and Agencies, International Or Interstate Agencies, and Indian Tribes						
Exempt Code:	Exemption Description:	Number of Exemptions	Total Equalized Value of Exempt Parcels(\$000)*	Total Equalized Value of Exemptions(\$000)*	Percent of Value Exempted	% of Total County Exempt Value
14100	USA OWNED (GENERALLY)	41	587,863	586,742	99.81	0.618
14110	USA OWNED - SPECIFIED USES	44	79,041	79,041	100.00	0.083
14200	FOREIGN GOVT: EMBASSY	19	4,796	4,796	100.00	0.005
Group D Total:		104		670,579		0.706

*((\$000) Equalized Values in Thousands

Appendix A – Summary of Exemptions (Per NYS ORPTS)



New York State

Office of Real Property Tax Services

NYS ORPTS Municipal Profile
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Nassau County Summary of Exemptions by Property Group 2016 Assessment Rolls Group E: Property of Private Community Service Organizations, Social Organizations, and Professional Societies						
Exempt Code:	Exemption Description:	Number of Exemptions	Total Equalized Value of Exempt Parcels(\$000)*	Total Equalized Value of Exemptions(\$000)*	Percent of Value Exempted	% of Total County Exempt Value
21600	CLERGY RESIDENCE	312	297,599	296,548	99.65	0.312
25110	NONPROF ORGNZTN-RELIGIOUS	21	52,503	52,152	99.33	0.055
25120	NONPROF ORGNZTN-EDUCATIONAL	474	3,128,298	3,120,425	99.75	3.285
25130	NONPROF ORGNZTN-CHARITABLE	8	4,668	4,668	100.00	0.005
25210	NONPROF ORGNZTN-HOSPITAL	192	1,590,473	1,581,924	99.46	1.665
25230	NONPROF ORG-MORAL/MENTAL IMP	21	39,027	39,027	100.00	0.041
2530_	NONPROF ORGNZTN-VARIOUS USES	482	719,339	712,195	99.01	0.750
25400	FRATERNAL ORGANIZATION	3	2,093	2,093	100.00	0.002
2610_	VETERANS ORGANIZATION	67	58,818	55,823	94.91	0.059
2630_	INTERDENOMINATIONAL CENTER	1,372	4,889,408	4,875,600	99.72	5.132
26400	VOLUNTEER FIRE COMP OR DEPT	255	361,645	360,885	99.79	0.380
27350	CEMETERY - PRIVATE	110	189,278	189,278	100.00	0.199
46450	ASSOC OF VOLUNT FIREFIGHTERS	13	8,539	8,249	96.60	0.009
Group E Total:		3,330		11,298,867		11.894

*((\$000) Equalized Values in Thousands

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Nassau County Summary of Exemptions by Property Group 2016 Assessment Rolls Group F: Industrial, Commercial, and Public Service Property						
Exempt Code:	Exemption Description:	Number of Exemptions	Total Equalized Value of Exempt Parcels(\$000)*	Total Equalized Value of Exemptions(\$000)*	Percent of Value Exempted	% of Total County Exempt Value
18020	MUNICIPAL INDUST DEVEL AGENCY	346	2,623,092	2,486,444	94.79	2.617
19950	MUNICIPAL RAILROAD	431	306,068	306,068	100.00	0.322
4760_	BUSNS INVEST:NOT NYC,<8/5/97	249	625,925	47,676	7.62	0.050
Group F Total:		1,026		2,840,188		2.990

*((\$000) Equalized Values in Thousands

Nassau County Summary of Exemptions by Property Group 2016 Assessment Rolls Group G: Urban Renewal Property, Public Housing, and Private Subsidized Housing (Multiple Dwellings)						
Exempt Code:	Exemption Description:	Number of Exemptions	Total Equalized Value of Exempt Parcels(\$000)*	Total Equalized Value of Exemptions(\$000)*	Percent of Value Exempted	% of Total County Exempt Value
18040	URBAN RENEWAL: MUNICPL OWNED	110	80,534	80,528	99.99	0.085
18080	MUNI HOUSNG AUTH: FED/MUNI \$	53	312,031	312,011	99.99	0.328
18120	NYS HOUSING FINANCE AGENCY	1	1,425	1,425	100.00	0.002
28100	NONPROFIT HSNG-SPECIFIC USE	31	34,358	34,358	100.00	0.036
2811_	NONPROFIT HSNG-SPECIFIC USE	5	29,651	29,651	100.00	0.031
4198_	LOW/MODERATE INCOME HOUSING	32	2,379	768	32.28	0.001
4865_	LTD PROFIT HSNG CO:VARIOUS	4	43,202	43,202	100.00	0.045
4866_	HOUSNG DEVEL FUND CO:UDC	29	109,586	109,586	100.00	0.115
4867_	REDEVELOP HSNG CO:FIRST EX	187	436,565	396,755	90.88	0.418
Group G Total:		452		1,008,284		1.061

*((\$000) Equalized Values in Thousands

Nassau County Summary of Exemptions by Property Group 2016 Assessment Rolls Group H: Agricultural and Forest Property						
Exempt Code:	Exemption Description:	Number of Exemptions	Total Equalized Value of Exempt Parcels(\$000)*	Total Equalized Value of Exemptions(\$000)*	Percent of Value Exempted	% of Total County Exempt Value
41730	AGRICULTURAL LAND NOT IN DIST	30	109,148	86,271	79.04	0.091
Group H Total:		30		86,271		0.091

*((\$000) Equalized Values in Thousands

Appendix A – Summary of Exemptions (Per NYS ORPTS)

Nassau County Summary of Exemptions by Property Group 2016 Assessment Rolls Group I: Invalidly Coded Exemptions							
Exempt Code:	Exemption Description:	Number of Exemptions	Total Equalized Value of Exempt Parcels(\$000)*		Total Equalized Value of Exemptions(\$000)*	Percent of Value Exempted	% of Total County Exempt Value
25200	**** Invalid Code ****	12		21,473	21,424	99.77	0.023
50000	**** Invalid Code ****	7		66,498	56,812	85.43	0.060
Group I Total:		19			78,236		0.082

*(\$000) Equalized Values in Thousands

Appendix B – Largest “Group A” Exemption Types and General Eligibility Requirements

Appendix B provides information on exemption types referenced in this report.

STAR and Enhanced STAR Exemptions

The New York State School Tax Relief Program (“STAR”) is a school tax rebate program offered in New York State aimed at reducing school district property taxes on primary residences.

In the past, STAR recipients received STAR exemptions in the form of a line item exemption on their tax bill. As of 2016, the **STAR Program** changed from a “**property tax exemption**” to a “**Personal Income Tax Credit**,” which is now paid by check for first-time applicants who filed (in Nassau County) after January 2, 2015. Most homeowners that qualified and received STAR, prior to January 2, 2015, will continue to receive the exemption as a line item on the tax bill.

NYS Real Property Tax Law⁵⁵ requires new home owners who were not enrolled in the STAR Program prior to January 2, 2015 to register directly with New York State. The state will be responsible for verifying the applicant’s income to their NYS Income Tax return. A check will be issued directly to the homeowner by New York State as opposed to receiving a school property tax exemption. This exemption should not be confused with the NYS Property Tax Relief Credit that is also received in a form of a check⁵⁶.

The STAR Exemption eligibility is primarily based on residency and a \$500,000 income limit.

The Enhanced Star Exemption is based on age, income and residency: Property owners 65 years or older with an annual income limit of \$86,000 (in 2016) were eligible to receive this exemption.

Unlike other exemptions which are absorbed at the expense of the remaining non-exempt taxpayers, STAR exemptions create no direct additional burden to local property taxpayers, because the school tax on the exempt amount is reimbursed directly by New York State to the school districts.

Veteran Exemption

There are **three general categories of Veteran Exemptions:**

- *Alternative* - Veterans who served during war time or received an expeditionary medal may be eligible for this exemption.

⁵⁵ NYS Real Property Tax Law §425.

⁵⁶ The NYS Property Tax Relief Credit directly reduces your property tax burden if you are a qualifying homeowner. If you’re eligible for the credit, NYS will automatically send you a check. To be eligible, you must live in a school district that is complying with the New York State property tax cap; receive either the Basic or Enhanced STAR exemption or credit; have an income of \$275,000 or less; and have paid school property taxes in 2018. The amount of the credit is a percentage of the eligible homeowner's STAR savings.

Appendix B – Largest “Group A” Exemption Types and General Eligibility Requirements

- *Eligible Funds* - Veterans who purchased their home with a military pension, bonus or insurance monies, NSLI Dividends or Mustering-Out Pay may be eligible for this exemption.
- *Cold War* - Veterans who served in the US Armed Forces during the Cold War period between September 2, 1945 and December 26, 1991 may be eligible for this exemption.

Eligibility for a Veterans Exemption is based on proof of service, residency and ownership tests. Exemption amounts or percentages vary between each type.

Senior Citizen Exemption

Under Section 467 of New York State Real Property tax law, **Nassau County offers a Senior Citizens’ Real Property Tax exemption for persons over 65. This exemption provides a reduction of between 5% and 50% on county, town and school taxes but no reduction on special district taxes.**

Eligibility for a Senior Citizen Exemption is based on age, income and residency.

Volunteer Firefighter /Ambulance Worker Exemption

Qualifying volunteer firefighters and ambulance workers may receive a 10% exemption from municipal/school taxes providing that the property owner has been a member of an incorporated volunteer fire service company, fire department or ambulance service for at least five years. A lifetime exemption is offered to members with over 20 years of volunteer service. Further, an un-remarried spouse of a deceased volunteer already receiving the exemption may qualify to continue the exemption.

Eligibility for the Volunteer Firefighter/Ambulance Worker exemption is based on service, ownership and residency.

Home Improvement Exemption

Homeowners can receive a Home Improvement Exemption depending on the purpose and type of qualifying home improvement:

Section 421-f of the NYS Real Property Tax Law **allows for an eight-year decreasing partial exemption from real property taxes due to the increase in assessed value attributable to reconstruction, alterations or improvements made to residential property. The value of such improvements must exceed \$3,000. The exemption is limited to \$80,000 in increased market value.**

Section 459 of the NYS Real Property Tax Law **allows for a property tax for improvements that serve to facilitate the use and accessibility of a home occupied by a disabled resident. A disabled resident is one who has a physical or mental impairment which substantially limits such person’s ability to engage in one or more of life’s major activities.**

Eligibility for a Home Improvement Exemption is based on certain construction requirements and limitations. Section 459 for the physically disabled requires certification by a NYS licensed physician.

Appendix B – Largest “Group A” Exemption Types and General Eligibility Requirements

Clergy Exemption

Real property that is **personally owned** by qualifying clergy may be eligible for an exemption limited to \$1,500 of Assessed Value. The exemption is available for real property owned by a member of the clergy engaged in the work of his/her religious denomination or who is unable to perform this work due to age (over 70 years old) or impaired health.

Eligibility for the Clergy exemption is primarily based on service, New York State residency and ownership.

Appendix C – 2016 Approved Partial Clergy Exemption (NYS Code 41400)

Appendix C illustrates the shifting of the tax burden and a result of the personally owned clergy exemption in Nassau County.

2016 Approved Partial Clergy Exemption (NYS Code 41400)		
<i>Shifting of Tax Burden Resulting from Applying NYS Clergy Exemption in Nassau County</i>		
Description	Properties Qualifying for Partial Clergy Exemptions	Those actually Receiving a Full 100% Clergy Exemption
Clergy Exemption Count ⁽¹⁾ (Meant to be a Partial Exemption)	694	
610 of the 694 received a Full Exemption because their Assessed Value (AV) fell below the \$1,500 Cap		610
Total Market Value (MV) of Properties	\$ 289,882,981	\$ 227,605,241
Total MV of Exemptions Received	\$ 272,809,639	\$ 227,605,241
Maximum Exemption Total ⁽²⁾ (had the \$1,500 Cap been to applied MV)	\$ 1,041,000	\$ 915,000
Total Excess Exemptions	\$ 271,768,639	\$ 226,690,241
Percent of MV that should have been Exempt (Apply Cap to MV)	0.36%	0.40%
Percent of MV that was Exempt (Apply Cap to AV)	94.11%	100.00%
Total Assessed Value of these Properties ⁽³⁾	\$ 702,291	\$ 554,485

⁽¹⁾ NYS ORPTS reports show 745 Exemptions for NYS Exemption Code 41400 in 2016. Assessment provided Auditors with a list of 741, we reviewed the list and removed duplicates and declined properties reducing the count to 694. Of the 694, 628 were assessed at a value of 1,500 or below. Auditors noted, 610 of the 628 received a full exemption while the remaining 18 received a partial exemption.

⁽²⁾ Estimated based on the fact that each exemption is capped at \$1,500 of Assessed Value.

⁽³⁾ This total is included to illustrate that the Total Assessed Values of all the Properties was less than the Total Cap for all the properties labeled above as "Maximum Exemption Total". The majority of the properties had Assessed Values less then \$1,500 and therefore would be fully Exempt.

Appendix D contains the Department of Assessment’s April 15, 2019 response to the Draft Report and the Auditor’s replies to the response. The Department of Assessment’s full response letter, as submitted, is included in Appendix E.

Audit Finding (1)

(1) The Department of Assessment Fails to Review Questionable Exemptions; Auditors Found 8,289 Veterans Exemptions, 17% of Those Approved, Did Not Have Service Dates in the Assessment Data System

Audit Recommendations:

We recommend that the Department of Assessment:

- a) Obtain Social Security number and birth date with all future Exemption Applications;
- b) Arrange for a one-time verification and update of all existing Veteran Exemptions. Require the following be included for verification and be entered into ADAPT:
 - i. Birth date of Qualifying Taxpayer/Resident;
 - ii. Social Security number of Qualifying Taxpayer/Resident;
 - iii. Proof of Residency;
 - iv. Proof of Ownership; and
 - v. Relationship of Qualifying Taxpayer/Resident to the Veteran.
- c) Implement a one-time system wide exemption verification for all exemption categories that are not recertified annually to ensure that all previously certified exemptions are still eligible and valid;
- d) Provide adequate staff training to assure that exemption applications are properly and consistently processed; and
- e) Explore options to periodically run collected social security numbers and birth dates against a Death Database to identify exemptions to be removed.

Department of Assessment’s Response to Recommendation (1)

- a) *In order to be considered for a veteran’s exemption, applicants must complete a New York State Department of Taxation and Finance, Office of Real Property Tax Services (ORPTS) Form RP-458-a or RP-458-b. The Department of Assessment (DoA) will consult with NYS ORPTS to update the application forms to collect such information from future applicants. In the meantime, DoA will collect information for existing veterans when it conducts a biennial collection of information, as described in response 1.b.*

Appendix D – Auditor’s Follow Up Comments to Department of Assessment’s Response

b) & c)

Veterans that have been previously approved to receive exemptions are not required to re-apply for nor re-certify their current exemption status. DoA will conduct the first biennial collection of information in stages. The first stage will target the oldest of veterans receiving the Eligible Fund (RPTL § 458) veteran exemption. The next stage will request information for the Alternative Veterans (RPTL § 458-a) who have been receiving the exemption for over five years. All other veterans who qualify for and receive real property tax exemptions will receive requests for information every 2 years. DoA will request information such as proof of residency, proof of ownership, and relationship to the qualified veteran. As previously mentioned, DoA will consult with ORPTS to determine feasibility of requesting social security numbers and birth dates during the biennial verification process. If individual veteran taxpayers do not respond to the request for information letters nor provide the requested information, DoA will further investigate the qualifications of the taxpayers. DoA will begin collecting information for the Eligible Fund Veteran and Alternative Veterans during the second quarter, 2019. Requests for information for all other veterans will be completed in 2020.

d) *DoA will schedule and deliver a “refresher” training to all existing Exemptions Division personnel sometime before the end of the third quarter, 2019. DoA will also ensure that for all future new hires, exemptions training is included as part of the “onboarding” process. Additionally, DoA will provide annual training to review process and local law statutory changes. Annual training will occur every third quarter of each year.*

e) *DoA will review supplementary methods to obtain the “date of death” of deceased taxpayers whose property is still benefiting from the taxpayers’ exemption status. The DoA will investigate available options for implementation before year end, 2019. Lastly, DoA will review with IT and the County Attorney’s Office the required measures to social security numbers within our departmental records.*

Auditor’s Follow Up Comments to Recommendation (1)

We are pleased with Assessment’s response to our recommendations a) through e) and encourage them to implement the Verification Process referred to in their response including:

- consult with New York State Office of Real Property Tax Services to update the application forms and collect information for existing veterans exemptions upon its biennial collection of information;
- conduct a biennial collection of information including proof of residency, proof of ownership, and relationship to the qualified veteran to ensure non-recertified veteran exemptions continue to qualify by meeting standard qualification requirements; consult with ORPTS to determine feasibility of requesting social security numbers and birth dates during the biennial verification process; and further investigate the qualifications of the taxpayers that do not respond to the request for information letters nor provide the requested information;

Appendix D – Auditor’s Follow Up Comments to Department of Assessment’s Response

- schedule and deliver “refresher” training to all existing Exemptions Division personnel; and
- review supplementary methods to obtain the “date of death” of deceased taxpayers whose property is still benefiting from the taxpayers’ exemption status.

We reiterate the need for a one-time system wide verification of all exemption categories that are not recertified annually to ensure that all previously certified exemptions are still eligible and valid, not just for Veterans Exemptions.

Audit Finding (2)

(2) Numerous Control Weaknesses Exist in the Department of Assessment and the “ADAPT” System, Increasing the Risk of Fraud

Audit Recommendations:

We recommend that the Department of Assessment:

- a) Review all user access names and levels of access to assure that only authorized individuals have access to the ADAPT system, remove duplicate user access names which currently exist and implement a system to continuously remove individuals who lose authorization, i.e. leave the Department.
- b) Work with the Department of Information Technology to perform a systems audit, to identify any unauthorized access and establish an appropriate level of controls and role hierarchy in the ADAPT system.
- c) Develop and utilize Management Information System Reports and exception based monitoring to ensure all exemptions are properly entered, approved and monitored;
- d) Review all ADAPT user levels and identify a protocol to properly segregate users, and provide unique digital fingerprints for all individuals utilizing the system to ensure accountability;
- e) Develop procedures to ensure that information is accurately and consistently entered into the ADAPT system; and
- f) The County should adequately staff the Assessment Department with dedicated and knowledgeable information technology staff.

Appendix D – Auditor’s Follow Up Comments to Department of Assessment’s Response

Department of Assessment’s Response to Recommendation (2)

- a) *DoA will conduct a comprehensive review of all individuals that have access to the ADAPT system and ensure that access levels are appropriate and in line with job duties. Access will be restricted for existing employees if deemed necessary or removed for former employees. Secondly, DoA will require division supervisors to complete and authorize new ADAPT user access forms for newly hired employees. Lastly, DoA plans to review ADAPT access rights for all employees three times per year, coinciding with important annual tax year events - tax status date, the finalization of rolls, and the production of the tax warrants. The supervisor of each division will certify or request changes to the access levels of their subordinates. The corrective actions will commence in the third quarter, 2019.*
- b) *DoA will work with the Department of Information Technology (IT) and the Department’s internal technology staff to establish systems audit plan to perform yearly. Systems audits will occur every year during the third quarter.*
- c) *DoA is currently working with IT to develop an internal management information database and anticipates it being rolled out before the end of year, 2019.*
- d) *DoA will work with IT to revisit ADAPT user levels and if needed, require the software vendor to strengthen the system’s user audit trails. Follow up with IT and the software vendor will commence in the third quarter, 2019.*
- e) *The Quality Assurance Unit (QAU) will be documenting exemption process procedures and expect to be completed by year end, 2019. During this process, QAU will ensure that it documents the accurate and consistent data entry into ADAP.*
- f) *DoA and IT has hired several staff members with strong technology skills and plans to continue to hire 2 additional employees thru end of year, 2019.*

Auditor’s Follow Up Comments to Recommendation (2)

We are pleased with Assessment’s response to our recommendations a) through f) and encourage Assessment to:

- conduct a comprehensive review of access levels in the ADAPT system and to implement supervisory reviews and certifications;
- work with the Department of Information Technology to establish an annual audit plan, develop an internal management information database and revisit ADAPT user levels to strengthen the system’s user audit trials;
- work with the County Executive’s Quality Assurance Unit to document exemption process procedures; and
- continue to hire additional knowledgeable information technology staff.

Appendix D – Auditor’s Follow Up Comments to Department of Assessment’s Response

Audit Finding (3)

(3) For Eight Years Nassau County Department of Assessment Was Not Managed by a New York State Certified Assessor as Required by the Nassau County Charter

Audit Recommendations:

We recommend:

- a) The County Executive & Legislature take steps to modify the Nassau County Charter to be consistent with NYS Real Property Tax Law, which provides that assessors be appointed to a six-year term, not the three-year term in the Charter.
- b) All future County Executives appoint only qualified individuals with proper certifications to be County Assessor.

Department of Assessment’s Response to Recommendation (3)

- a) *Under Real Property Tax Law § 334 (2), the County is not obligated to abide by § 310, wherein the term for a local municipality’s appointed assessor is fixed at six years. Although the County has the ability to amend the Nassau County Charter to modify the term for the County Assessor to be a six-year term, DoA will leave such considerations to the County Administration.*
- b) *The current County Assessor, David Moog is a qualified assessor under the Real Property Tax Law and 20 NYCRR § 8188-2.2.*

Auditor’s Follow Up Comments to Recommendation (3)

- a) We reiterate that the County Executive and the Legislature should review New York State Real Property Tax Law Article 3, Title 2 to adopt a six year term and qualifications for the current and future assessors to include in the County Charter.
- b) We are pleased that the County Executive has appointed a qualified Assessor who was approved by the Legislature.

Audit Finding (4)

(4) Nassau County’s Low Level of Assessment Percentage Leads to Disproportionate “Personally Owned Clergy Property” Exemptions, Removing an Excess of \$272 Million in Taxable Value Annually

Audit Recommendation:

We recommend that the Nassau County Department of Assessment pursue this issue with the NYS Office of Real Property Tax Services and discuss the need for statutory changes of the Exemption for real property owned by a member of the clergy, so that the exemption is based on a percentage of Assessed Value instead of a set dollar cap.

Appendix D – Auditor’s Follow Up Comments to Department of Assessment’s Response

Department of Assessment’s Response to Recommendation (4)

DoA, the Office of the County Executive, and the Office of the County Attorney have and will continue to discuss modifications to state and local laws that will positively affect the County’s assessment system and its residents. The aforesaid offices will examine the merits and effects of the County Comptroller’s recommendations and consider engaging the State Legislature and the County Legislature regarding this issue.

Auditor’s Follow Up Comments to Recommendation (4)

We reiterate the need for statutory changes of the Exemption for personally owned clergy property, or that a waiver is sought from NYS ORPTS to be adopted for Nassau County so that the exemption is based on a percentage of Assessed Value instead of a set dollar cap.

Audit Finding (5)

(5) The Department of Assessment Approved Tax Exemptions Received After the Taxable Status (Due) Date, in Some Cases Over Five Months Late, Which Can Result in Favoritism and Increasing the Tax Burden for Others

Audit Recommendations:

We recommend that the Department of Assessment:

- a) Adhere to application guidelines and deny applications received after the due date, barring acceptable legitimate reasons; and
- b) Adequately document files and retain supporting documentation for those applications that have acceptable reasons and are legitimately accepted even though they were received after the statutory due date.

Department of Assessment’s Response to Recommendation (5)

- a) *With the change in DoA administration and the appointment of a new Exemptions Division supervisor, DoA will adhere to the Real Property Tax Law and guidelines set forth by the ORPTS. Starting in the 2nd Quarter, 2019, DoA will improve its customer servicing by expanding its efforts to educate exemption applicants of the application deadlines and the required information and documentation needed. DoA will revisit and post clearly written information on the www.AskTheAssessor.gov and www.nassaucountyny.gov websites, attend community meetings and target mailings. Rather than wait to send out in one mass mailing of application approvals before April 1st, application approvals will be mailed as decisions are made throughout the year. This will help to put applicants’ minds at ease. DoA will continue to correspond with those applicants that have not provided the appropriate information so that the applications can be approved timely. All plans described will be executed with the goal of ensure that exemption applicants submit applications in a timely, accurate and complete manner.*
- b) *Under Local Law No. 17-2018, DoA has the legal authority to accept and process Senior*

Appendix D – Auditor’s Follow Up Comments to Department of Assessment’s Response

Citizen Real Property Tax Exemption renewal applications after the application deadline if the applicant demonstrates that they missed the filing deadline for “good cause”. DoA will review the causes for delinquency on a committee basis and adequately document the resulting decisions.

Auditor’s Follow Up Comments to Recommendation (5)

We are pleased with Assessment’s response to our recommendations to adhere to application deadlines.

We reiterate that documentation should be retained to support the validity of accepting applications after the deadline.

Audit Finding (6)

(6) The Auditor’s Sample Test Indicated that 29% of Approved Senior Citizen Exemptions Should Have Been Rejected Based on Miscalculations of Income or Missing Documentation

Audit Recommendations:

We recommend that Nassau County Department of Assessment:

- a) Verify all income and expenses reported on all Tax Exemption applications to proper supporting documentation;
- b) Implement supervisory procedures to ensure that all supporting documentation is received and reviewed prior to approval; and
- c) Develop a standard worksheet for application reviewers that provides consistency with respect to determining income.

Department of Assessment’s Response to Recommendation (6)

- a) *DoA currently verifies and reviews all incomes and expenses reported on exemption applications for compliance with state guidelines. DoA plans to strengthen its documentation verification process by working with IT to develop an application that allows for the entering and automated calculation of income and expense data information onto an electronic worksheet. The application will capture the name of the exemption employee and his/her decision to approve / disallow exemption will require an electronic approval by a supervisor. Initial exemption employee data will be captured and a supervisor will be required to review the electronic worksheet as well as supporting hard copy documentation before electronically signing off / approving the exemption decision. IT is currently developing the application and expects to be completed by the end of the third quarter, 2019.*

- b) *To ensure that County residents are aware of all available and applicable exemptions and*

Appendix D – Auditor’s Follow Up Comments to Department of Assessment’s Response

that applicants submit all required documentation, DoA will be increasing outreach efforts. Detailed plans were mention in Response 5a. Currently, DoA has identified approximately ten to fifteen community sites to hold presentations informing residents of available exemptions and requirements. DoA plans to hold these types of meetings before the end of the third quarter, 2019 and every year thereafter. Concerning the review of applications, the County Assessor, at the inception of his term, employed a new supervisor with legal background, to oversee the administration and compliance of exemptions processing. This division had previously been unsupervised in the years prior to the current County Assessor’s appointment.

- c) *As previously mentioned in 6.a, IT is currently developing the application and expects to be completed by the end of the third quarter, 2019.*

Auditor’s Follow Up Comments to Recommendation (6)

- a) We accept Assessment’s methodology to develop a new electronic worksheet, as well as requiring supporting hard copy documentation, before electronically approving the exemptions.
- b) We are encouraged by Assessment’s plans to increase community outreach informing residents of available exemptions.
- c) We are encouraged by the recent appointment of a new supervisor with legal background to oversee the administration and compliance of the exemption process that was previously unsupervised in the years prior to this appointment.

AUDIT FINDING (7)

(7) Assessment Did Not Recover 85% of Ineligible Exemptions Received By Estates and are Allowing Some Exemptions to Continue Under the New Owners

Audit Recommendations:

We recommend that:

- a) The Department of Assessment explore the benefits of creating a standard “Tax Exemption Restoration Affidavit” to be filed upon each property sale/transfer as a requirement before a deed can be recorded.
- The affidavit should require the parties to the transaction identify all property exemptions, recover invalid prior and current year prorated exemptions, and remit appropriate funds to the County. This should detail invalid exemptions received by the Estate. This will ensure that invalid exemptions are recovered and collected;

Appendix D – Auditor’s Follow Up Comments to Department of Assessment’s Response

- A copy of the Affidavit be forwarded to the Department of Assessment and procedures developed to ensure timely review and removal of the exemptions and full restoration of taxes for current and subsequent tax years;
- b) Assessment require annual verification of Veteran Exemptions;
- c) Assessment require social security numbers be provided with the application and annual verification for all Exemption types that have a primary residence criteria;
- d) Assessment create and implement procedures to use social security numbers to ensure that property owners do not receive exemptions on more than one property for those exemptions with primary residence requirements; and
- e) Nassau County explore the potential benefits of creating and requiring the filing of a ‘Change of Ownership Statement’ and create procedures to review and remove all related exemptions ensuring that invalid exemptions are removed timely.

Department of Assessment’s Response to Recommendation (7)

- a) *Pursuant to Real Property Tax Law § 520, “whenever any person, association or corporation not otherwise entitled to an exemption from taxation acquires title to real property which is exempt, in whole or in part, from taxation, such property shall be immediately subject to taxation and shall be taxed pro rata for the unexpired portion of any fiscal year during which said transfer of title occurred, and shall be liable in full for taxes in any fiscal year commencing subsequent to the date of transfer”. Based upon this statute, DoA does not need an affidavit to restore a property to the assessment roll and prorate the taxes for the now, unqualified property. DoA has and will continue to restore and prorate taxes upon receiving evidence from the County Clerk’s office that the property has transferred to another, unqualified party. DoA will continue to review and improve our communication with the Clerk’s Office, so that it can receive any necessary information in a quick and efficient manner. The Department will discuss holding an annual meeting to improve inter-agency processes with the Clerk’s Office commencing in the second quarter, June 2019.*
- b) *As mentioned previously in Response 1b & c, DoA will conduct a biennial collection of information for existing veteran taxpayers who qualify for and receive real property tax exemptions. This type of re-verification will request documentation supporting proof of residency, proof of ownership, and relationship to the qualified veteran.*
- c) *As mentioned previously in Response 1e, DoA will review supplementary methods to obtain the “date of death” of deceased taxpayers whose property is still benefiting from the taxpayers’ exemption status. The DoA will investigate available options for implementation before year end, 2019. Lastly, DoA will review with IT and the County Attorney’s Office the required measures to social security numbers within our departmental records.*
- d) *See response 7c.*
- e) *Although recorded deeds indicate ownership, DoA will discuss with IT the possibility of*

Appendix D – Auditor’s Follow Up Comments to Department of Assessment’s Response

creating an internal “flagging” system to notify users that taxpayers own multiple properties. DoA will meet with IT to discuss request by the third quarter, 2019.

Auditor’s Follow Up Comments to Recommendation (7)

We reiterate the need to remove and restore invalid exemptions in a timely fashion. We encourage Assessment to review its process and coordination with the County Clerk’s Office to ensure the timely removal of exemptions and restoration of Assessed Value.

We concur with Assessment’s plan to conduct a biennial verification of residency, ownership and relationship information for veterans.

We agree with the implementation of a flagging system to identify taxpayers who own multiple properties to ensure the exemption is only applied to the primary residence.

We stand by our recommendation that procedures should be created to review and remove all related exemptions, upon change of ownership, ensuring that invalid exemptions are removed timely.

AUDIT FINDING (8)

(8) The Department of Assessment’s Exemption Counts are Inconsistent with NYS Counts and Some Exemptions are Invalidly Coded

Audit Recommendations:

We recommend that the new Assessor:

- a) Identify and review the invalidly coded exemptions to determine if they were legitimate exemptions;
- b) Ensure procedures are in place for the Department of Assessment to address any exemptions that New York State lists as “not properly coded” in the future;
- c) Review and reconcile the differences in exemption counts reported to New York State for past years; and
- d) Implement accountability in the computer system for coding exemptions (i.e. those granting exemptions leave a digital fingerprint) or prevent the system from allowing a code that is not a valid NYS code.

Department of Assessment’s Response to Recommendation (8)

- a) *DoA will review, change, delete, and update all exemption codes by the third quarter, 2019.*

Appendix D – Auditor’s Follow Up Comments to Department of Assessment’s Response

- b) *DoA will review for accuracy and appropriateness all New York State exemptions and codes on an annual basis. This procedure will be implemented by third quarter, 2019.*
- c) *DoA will review current exemptions counts, examine the differences with New York State, and contact the state to determine the cause for the differences in the counts. This exercise should be completed by third quarter, 2019.*
- d) *DoA, through the ADAPT system, can already track the history of an exemption for a property and the grantor of the exemption. However, DoA will work with IT to increase accountability measures. The Department will discuss these measures with IT during the second quarter, 2019. Additionally, by the third quarter, 2019, DoA will implement an annual review of New York State exemptions and codes.*

Auditor’s Follow Up Comments to Recommendation (8)

We concur with Assessment’s responses addressing recommendations a), b) & d).

We stand by recommendation c) that Assessment review and reconcile the differences in exemption counts reported to New York State for past years, specifically 2010, 2011 and 2012. As shown in Exhibit XI on page 28 of this report, these 3 years represent 72.8% of the total number of invalidly coded exemptions in the 10 year period (2008 – 2017).

AUDIT FINDING (9)

(9) Nassau County is Not in Compliance with NYS Regulations Requiring an Exemption Impact Report be Attached to the County Preliminary Budget and Does Not Report Adequate County Performance Measures

Audit Recommendations:

We recommend that the Department of Assessment:

- a) Review NYS reporting requirements and develop procedures to ensure that they are in compliance and remain compliant moving forward, and
- b) Identify and review potential performance measures that can be tracked to help perform departmental work more efficiently, such as the number of exemptions applied for, and disclose the results to the public.

Department of Assessment’s Response to Recommendation (9)

- a) *DoA will conduct a comprehensive review of NYS reporting requirements and document procedures to ensure requirements are adhered to and provided by the prescribed times. Subsequently, employees will be trained on the procedures. This should be completed by second quarter, 2019. Going forward, any and all future legislative updates, changes, and modifications will prompt quarterly updates to the procedures. Employees will receive*

Appendix D – Auditor’s Follow Up Comments to Department of Assessment’s Response

additional trainings as needed.

- b) As previously mentioned in response 2b, DoA is currently working with IT to develop an internal management information database and anticipates it being rolled out before the end of year, 2019.*
- c) Additionally, in compliance with New York State law, DoA will produce and submit an annual Exemption Impact Report to the Office of Management and Budget by month end August, 2019 and annually thereafter.*

Auditor’s Follow Up Comments to Recommendation (9)

We are pleased that Assessment will conduct a comprehensive review of New York State reporting requirements and develop procedures to ensure proper compliance.

We concur with Assessment’s efforts to develop a management information database to identify and track performances measures.

We concur with Assessment’s intention to produce and submit an Exemption Impact Report to the Office of Management and Budget by August 2019 and annually thereafter to be compliant with New York State Reporting requirements.

AUDIT FINDING (10)

(10) The Department of Assessment Does Not Maintain Adequate Procedures and Auditors Found that Income on Senior Exemptions were Calculated Differently by Different Employees

Audit Recommendations:

We recommend that the Department of Assessment:

- a) Update and/or create operating procedures for all the various exemption types used in Nassau County; and
- b) Assemble all procedures in one reference manual, copies of which should be provided to each unit supervisor.
- c) Provide adequate training to staff on policies and procedures to assure that exemption applications are properly and consistently processed.
- d) Implement a procedure to review and approve procedures on an annual basis.

Department of Assessment’s Response to Recommendation (10)

Appendix D – Auditor’s Follow Up Comments to Department of Assessment’s Response

The QAU is currently documenting exemption processing and customer servicing procedures and expects to be completed by third quarter, 2019. DoA will schedule and deliver a training to all existing Exemptions Division personnel at the time the procedures are finalized. DoA will also ensure that for all future new hires, exemptions training is included as part of the “onboarding” process. Additionally, DoA will provide annual training to review process and local law statutory changes. Annual training will occur in the third quarter of each year.

Auditor’s Follow Up Comments to Recommendation (10)

We are encouraged with Assessment’s response that the County Executive’s Quality Assurance Unit is currently documenting a complete set of Exemption Processing and Customer Service procedures. Additionally, we concur with Assessment’s plan to provide training and review the exemption process on an annual basis.

Appendix E – Nassau County Department of Assessment’s Response

LAURA CURRAN
County Executive



DAVID MOOG, IAO
County Assessor

COUNTY OF NASSAU
Department of Assessment
240 Old Country Road
Mineola, NY 11501

April 15, 2019

Hon. Jack Schnirman
Nassau County Comptroller
240 Old Country Road
Mineola, NY 11501

Re: Limited review of NC Department of Assessment Review of Property Tax Exemption Processing

Dear Hon. Comptroller Schnirman,

We appreciated the opportunity to meet with your team to discuss the audit findings at the April 3rd Exit Conference. We also thank your staff for following up and providing me with the detailed data sets related to the 8,289 veterans who were did not have service dates noted in the ADAPT computer system. My staff performed a preliminary investigation and discovered that in 2004 the Department of Assessment (DoA) underwent a system conversion. When the data was converted to the new system, certain fields for veteran exemptions were not available from the old system. Nevertheless, we will work over time to collect the missing information.

As you are aware, I was appointed County Assessor June 26, 2018. At that time the DoA was already into its fourth month of the systematic review that would result in the first unfrozen assessment roll in 9 years. This monumental task was being accomplished with a greatly depleted staff, and in many instances a single employee was responsible for functions that had impact on the entire assessment roll.

Since my appointment, DoA has revamped civil service titles to better fit the tasks and duties of DoA and we have hired many employees to staff up the exemptions units. We are continuing to recruit new staff and by the end of 2019 we will have redundancy in many of the functions needed for the day to day operations.

Below please find our responses to the draft audit report:

Audit Response No. 1:

- a) In order to be considered for a veteran’s exemption, applicants must complete a New York State Department of Taxation and Finance, Office of Real Property Tax Services (ORPTS) Form RP-458-a or RP-458-b. The Department of Assessment (DoA) will consult with NYS ORPTS to update the application forms to collect such information from future applicants. In the meantime, DoA will collect information for existing

Appendix E – Nassau County Department of Assessment’s Response

veterans when it conducts a biennial collection of information, as described in response 1.b.

b) & c)

Veterans that have been previously approved to receive exemptions are not required to re-apply for nor re-certify their current exemption status. DoA will conduct the first biennial collection of information in stages. The first stage will target the oldest of veterans receiving the Eligible Fund (RPTL § 458) veteran exemption. The next stage will request information for the Alternative Veterans (RPTL § 458-a) who have been receiving the exemption for over five years. All other veterans who qualify for and receive real property tax exemptions will receive requests for information every 2 years. DoA will request information such as proof of residency, proof of ownership, and relationship to the qualified veteran. As previously mentioned, DoA will consult with ORPTS to determine feasibility of requesting social security numbers and birth dates during the biennial verification process. If individual veteran taxpayers do not respond to the request for information letters nor provide the requested information, DoA will further investigate the qualifications of the taxpayers. DoA will begin collecting information for the Eligible Fund Veteran and Alternative Veterans during the second quarter, 2019. Requests for information for all other veterans will be completed in 2020.

- d) DoA will schedule and deliver a “refresher” training to all existing Exemptions Division personnel sometime before the end of the third quarter, 2019. DoA will also ensure that for all future new hires, exemptions training is included as part of the “onboarding” process. Additionally, DoA will provide annual training to review process and local law statutory changes. Annual training will occur every third quarter of each year.
- e) DoA will review supplementary methods to obtain the “date of death” of deceased taxpayers whose property is still benefiting from the taxpayers’ exemption status. The DoA will investigate available options for implementation before year end, 2019. Lastly, DoA will review with IT and the County Attorney’s Office the required measures to social security numbers within our departmental records.

Audit Response No. 2:

- a) DoA will conduct a comprehensive review of all individuals that have access to the ADAPT system and ensure that access levels are appropriate and in line with job duties. Access will be restricted for existing employees if deemed necessary or removed for former employees. Secondly, DoA will require division supervisors to complete and authorize new ADAPT user access forms for newly hired employees. Lastly, DoA plans to review ADAPT access rights for all employees three times per year, coinciding with important annual tax year events - tax status date, the finalization of rolls, and the production of the tax warrants. The supervisor of each division will certify or request

Appendix E – Nassau County Department of Assessment’s Response

changes to the access levels of their subordinates. The corrective actions will commence in the third quarter, 2019.

- b) DoA will work with the Department of Information Technology (IT) and the Department’s internal technology staff to establish systems audit plan to perform yearly. Systems audits will occur every year during the third quarter.
- c) DoA is currently working with IT to develop an internal management information database and anticipates it being rolled out before the end of year, 2019.
- d) DoA will work with IT to revisit ADAPT user levels and if needed, require the software vendor to strengthen the system’s user audit trails. Follow up with IT and the software vendor will commence in the third quarter, 2019.
- e) The Quality Assurance Unit (QAU) will be documenting exemption process procedures and expect to be completed by year end, 2019. During this process, QAU will ensure that it documents the accurate and consistent data entry into ADAP.
- f) DoA and IT has hired several staff members with strong technology skills and plans to continue to hire 2 additional employees thru end of year, 2019.

Audit Response No. 3:

- a) Under Real Property Tax Law § 334 (2), the County is not obligated to abide by § 310, wherein the term for a local municipality’s appointed assessor is fixed at six years. Although the County has the ability to amend the Nassau County Charter to modify the term for the County Assessor to be a six-year term, DoA will leave such considerations to the County Administration.
- b) The current County Assessor, David Moog is a qualified assessor under the Real Property Tax Law and 20 NYCRR § 8188-2.2.

Audit Response No. 4:

DoA, the Office of the County Executive, and the Office of the County Attorney have and will continue to discuss modifications to state and local laws that will positively affect the County’s assessment system and its residents. The aforesaid offices will examine the merits and effects of the County Comptroller’s recommendations and consider engaging the State Legislature and the County Legislature regarding this issue.

Appendix E – Nassau County Department of Assessment’s Response

Audit Response No. 5:

- a) With the change in DoA administration and the appointment of a new Exemptions Division supervisor, DoA will adhere to the Real Property Tax Law and guidelines set forth by the ORPTS. Starting in the 2nd Quarter, 2019, DoA will improve its customer servicing by expanding its efforts to educate exemption applicants of the application deadlines and the required information and documentation needed. DoA will revisit and post clearly written information on the www.AskTheAssessor.gov and www.nassaucountyny.gov websites, attend community meetings and target mailings. Rather than wait to send out in one mass mailing of application approvals before April 1st, application approvals will be mailed as decisions are made throughout the year. This will help to put applicants’ minds at ease. DoA will continue to correspond with those applicants that have not provided the appropriate information so that the applications can be approved timely. All plans described will be executed with the goal of ensure that exemption applicants submit applications in a timely, accurate and complete manner.
- b) Under Local Law No. 17-2018, DoA has the legal authority to accept and process Senior Citizen Real Property Tax Exemption renewal applications after the application deadline if the applicant demonstrates that they missed the filing deadline for “good cause”. DoA will review the causes for delinquency on a committee basis and adequately document the resulting decisions.

Audit Response No. 6:

- a) DoA currently verifies and reviews all incomes and expenses reported on exemption applications for compliance with state guidelines. DoA plans to strengthen its documentation verification process by working with IT to develop an application that allows for the entering and automated calculation of income and expense data information onto an electronic worksheet. The application will capture the name of the exemption employee and his/her decision to approve / disallow exemption will require an electronic approval by a supervisor. Initial exemption employee data will be captured and a supervisor will be required to review the electronic worksheet as well as supporting hard copy documentation before electronically signing off / approving the exemption decision. IT is currently developing the application and expects to be completed by the end of the third quarter, 2019.
- b) To ensure that County residents are aware of all available and applicable exemptions and that applicants submit all required documentation, DoA will be increasing outreach efforts. Detailed plans were mention in Response 5a. Currently, DoA has identified approximately ten to fifteen community sites to hold presentations informing residents of available exemptions and requirements. DoA plans to hold these types of meetings before the end of the third quarter, 2019 and every year thereafter. Concerning the review of

Appendix E – Nassau County Department of Assessment’s Response

applications, the County Assessor, at the inception of his term, employed a new supervisor with legal background, to oversee the administration and compliance of exemptions processing. This division had previously been unsupervised in the years prior to the current County Assessor’s appointment.

- c) As previously mentioned in 6.a, IT is currently developing the application and expects to be completed by the end of the third quarter, 2019.

Audit Response No. 7:

- a) Pursuant to Real Property Tax Law § 520, “whenever any person, association or corporation not otherwise entitled to an exemption from taxation acquires title to real property which is exempt, in whole or in part, from taxation, such property shall be immediately subject to taxation and shall be taxed pro rata for the unexpired portion of any fiscal year during which said transfer of title occurred, and shall be liable in full for taxes in any fiscal year commencing subsequent to the date of transfer”. Based upon this statute, DoA does not need an affidavit to restore a property to the assessment roll and prorate the taxes for the now, unqualified property. DoA has and will continue to restore and prorate taxes upon receiving evidence from the County Clerk’s office that the property has transferred to another, unqualified party. DoA will continue to review and improve our communication with the Clerk’s Office, so that it can receive any necessary information in a quick and efficient manner. The Department will discuss holding an annual meeting to improve inter-agency processes with the Clerk’s Office commencing in the second quarter, June 2019.
- b) As mentioned previously in Response 1b & c, DoA will conduct a biennial collection of information for existing veteran taxpayers who qualify for and receive real property tax exemptions. This type of re-verification will request documentation supporting proof of residency, proof of ownership, and relationship to the qualified veteran.
- c) As mentioned previously in Response 1e, DoA will review supplementary methods to obtain the “date of death” of deceased taxpayers whose property is still benefiting from the taxpayers’ exemption status. The DoA will investigate available options for implementation before year end, 2019. Lastly, DoA will review with IT and the County Attorney’s Office the required measures to social security numbers within our departmental records.
- d) See response 7c.
- e) Although recorded deeds indicate ownership, DoA will discuss with IT the possibility of creating an internal “flagging” system to notify users that taxpayers own multiple properties. DoA will meet with IT to discuss request by the third quarter, 2019.

Appendix E – Nassau County Department of Assessment’s Response

Audit Response No. 8:

- a) DoA will review, change, delete, and update all exemption codes by the third quarter, 2019.
- b) DoA will review for accuracy and appropriateness all New York State exemptions and codes on an annual basis. This procedure will be implemented by third quarter, 2019.
- c) DoA will review current exemptions counts, examine the differences with New York State, and contact the state to determine the cause for the differences in the counts. This exercise should be completed by third quarter, 2019.
- d) DoA, through the ADAPT system, can already track the history of an exemption for a property and the grantor of the exemption. However, DoA will work with IT to increase accountability measures. The Department will discuss these measures with IT during the second quarter, 2019. Additionally, by the third quarter, 2019, DoA will implement an annual review of New York State exemptions and codes.

Audit Response No. 9:


- a) DoA will conduct a comprehensive review of NYS reporting requirements and document procedures to ensure requirements are adhered to and provided by the prescribed times. Subsequently, employees will be trained on the procedures. This should be completed by second quarter, 2019. Going forward, any and all future legislative updates, changes, and modifications will prompt quarterly updates to the procedures. Employees will receive additional trainings as needed.
- b) As previously mentioned in response 2b, DoA is currently working with IT to develop an internal management information database and anticipates it being rolled out before the end of year, 2019.
- c) Additionally, in compliance with New York State law, DoA will produce and submit an annual Exemption Impact Report to the Office of Management and Budget by month end August, 2019 and annually thereafter.

Appendix E – Nassau County Department of Assessment’s Response

Audit Response No. 10:

The QAU is currently documenting exemption processing and customer servicing procedures and expects to be completed by third quarter, 2019. DoA will schedule and deliver a training to all existing Exemptions Division personnel at the time the procedures are finalized. DoA will also ensure that for all future new hires, exemptions training is included as part of the “onboarding” process. Additionally, DoA will provide annual training to review process and local law statutory changes. Annual training will occur in the third quarter of each year.

Sincerely,



David Moog