

OFFICE OF THE NASSAU COUNTY COMPTROLLER



Audit Follow-Up

**Limited Review of the Nassau County
Department of Assessment Collection of
Payments in Lieu of Taxes
May 21, 2021**

**JACK SCHNIRMAN
COMPTROLLER**

OFFICE OF THE NASSAU COUNTY COMPTROLLER

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This report and the original report is available on our website at: <https://www.nassaucountyny.gov/Audits>



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Hon. Jack Schnirman

Nassau County Comptroller

May 21, 2021

Dear Nassau County Taxpayers:

This report provides a follow-up to the Review of the Department of Assessment Collection of Payments in Lieu of Taxes, which was released in October of 2018.

From day one, a key priority for my Office was to focus on conducting audits that achieve results, such the \$7.6 million in County revenue recovered as a result of this audit.

That's why since 2018, our team has implemented a policy establishing a follow-up review of our audits. Along with providing an update and making it accessible for residents and taxpayers, this follow-up procedure ensures increasing efficiency and accountability within our County government through implementation of our audit recommendations.

This process is not about playing "gotcha" with our audits; it's about real work getting done, focused on outcomes and results for our residents and taxpayers. That is why, rather than simply releasing our findings and walking away, since the release of the audit our team has worked to ensure results. This means giving those responsible for implementing corrective actions the time necessary to address our recommendations.

In particular with this follow-up review, there were multiple responses and updates provided to our Office from the four responsible entities: the Nassau County Department of Assessment and three Industrial Development Agencies (IDAs); the Nassau County IDA, Town of Hempstead IDA and Glen Cove IDA. During this time all of these entities dealt with the operational effects of the COVID-19 pandemic and the Department of Assessment adjusted to new oversight (from the Nassau County Executive's newly constituted Quality Assurance Unit).

I encourage you to read the original audit and this follow-up report to evaluate both the work of this Office and the Department of Assessment's and NCIDA's implementation of the corrective actions recommended by our Office. All audits are posted on our website, at www.nassaucountyny.gov/Audits.

Given the importance of property assessment and exemptions from taxation to all residents and taxpayers, the issues raised in our audit and the multiple issues being discussed in public forums and debates concerning the assessment process, it is essential that the Office of the Comptroller continue to closely monitor policies and procedures of the Department of Assessment, the Assessment Review Commission and Small Claims Assessment Review.

My Office is currently conducting a review of the Procedures and Controls utilized by the Assessment Review Commission in reviewing residential Applications For Correction of Property Tax Assessment filed for or on behalf of individual taxpayers.

Please feel free to reach out to our *Report It Reform It* tip line at: ReportItReformIt@nassaucountyny.gov with any suggestions or questions that you might have.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jack Schnirman". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Honorable Jack Schnirman
Nassau County Comptroller

EXECUTIVE SUMMARY

INTRODUCTION

On October 3, 2018 the Nassau County Comptroller's Office released an audit of the Department of Assessment Collection of Payments in Lieu of Taxes. The audit covered the period from January 1, 2014 to December 31, 2017. The objective of the review was to determine if the County's Department of Assessment is collecting all payments in lieu of taxes (PILOT) revenue for which it is entitled, including penalties and interest.

A copy of this report, *Limited Review of the Department of Assessment Collection of Payments in Lieu of Taxes* can be found online at the Comptroller's website [here](#) and there is also a one-page Audit Report Overview available to view [here](#).¹

Auditor Assessment of Progress Objectives and Methodology

Under a new policy implemented in 2018, the Comptroller's Office conducts a follow-up review of audits to ensure that the recommendations made are being implemented. Working with the Department of Assessment (DoA), and with limited follow-up analysis performed by the Auditors, we have prepared this status report.

- **The audit report of the Department of Assessment PILOT Collections contained 9 audit findings, 7 of these findings with a total of 16 recommendations concerned corrective actions which could be taken directly by the Department of Assessment and 2 findings concerned the Nassau County Industrial Development Agency (NCIDA).**
- **13 of these recommendations have been implemented and 2 are in the process of being implemented. This illustrates the Department of Assessment is working towards strengthening its internal controls to improve the Department's accuracy and efficiency and to decrease the risk for fraud, waste and abuse. One recommendation was not implemented.**

We commend the Department of Assessment for making positive strides toward implementing our recommendations and thank the staff for the courtesy extended to our Office during this review.

Summary of Department of Assessment's Implementation of Audit Recommendations

Based on conversations with the Department of Assessment and the limited follow-up analysis performed by the Auditors, each of the 16 recommendations (where corrective action **can be taken directly by the Department of Assessment**) has been assessed by the Auditors as either Implemented (**Green**), In Process (**Yellow**), or Not Implemented (**Red**). See Exhibit I and Exhibit II on the next page for a breakdown of the stages of completion for the 16 audit recommendations.

¹ October 3, 2018: Limited Review of the Department of Assessment Collection of Payments in Lieu of Taxes, Appendix B: Limited Review of the Department of Assessment Collection of Payment in Lieu of Taxes Report Overview: Limited Review of the Department of Assessment Collection of Payments in Lieu of Taxes

EXECUTIVE SUMMARY

Exhibit I

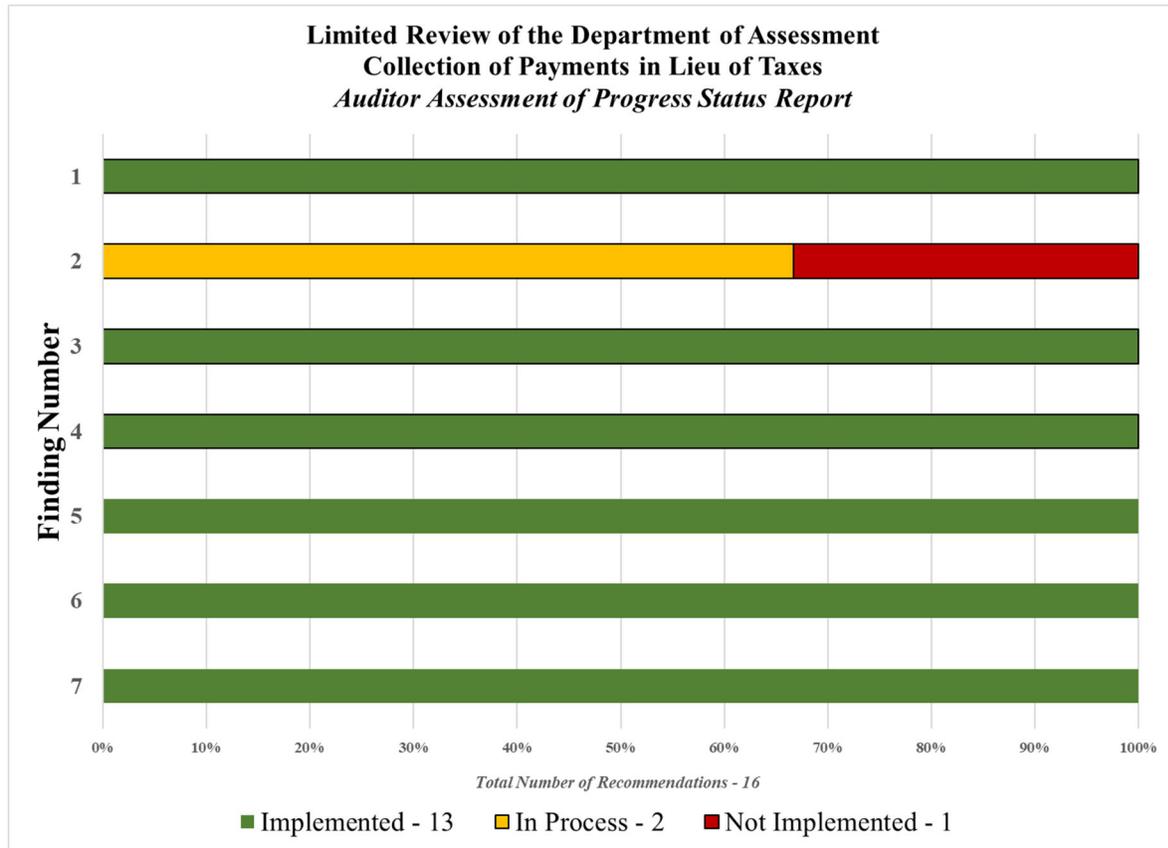


Exhibit II

Audit Follow Up				
Limited Review of the Department of Assessment Collection of Payments in Lieu of Taxes				
Summary of Department Implementation of Audit Recommendations				
Finding #	# Recommendations	Implemented ●	In Process ●	Not Implemented ●
1	3	3	0	0
2	3	0	2	1
3	2	2	0	0
4	2	2	0	0
5	2	2	0	0
6	2	2	0	0
7	2	2	0	0
Total	16	13	2	1
Stages of Completion		81.3%	12.5%	6.3%

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INTRODUCTION

Summary of Original Report Finding and Recommendations

In 1969 the General Municipal Law, Article 18-A, Section 852² enacted the New York State Industrial Development Act, “to promote the economic welfare, recreation opportunities and prosperity of its inhabitants...through governmental action, for the purpose of preventing unemployment and economic deterioration by the creation of industrial development agencies...” (“IDAs”). Within Nassau County, there are three active IDAs: the Nassau County IDA; the Town of Hempstead IDA; and the City of Glen Cove IDA.

The IDAs are independent agencies established under the 1969 law to promote and encourage economic development by providing tax exemptions to industrial or commercial parcels under contractual payment in lieu of tax (“PILOT”) agreements.

Under General Municipal Law, Article 18-A, Section 854³, PILOT payments “shall mean any payment made to an agency, or affected tax jurisdiction equal to the amount, or a portion of, real property taxes, or other taxes, which would have been levied by or on behalf of an affected tax jurisdiction if the project was not tax exempt by reason of agency involvement.” Nassau County IDA PILOTs are paid to the County’s Treasurer’s Office and are allocated to each affected tax jurisdiction (school districts and municipalities) within thirty days of receipt by the County’s Department of Assessment (DoA). The Town of Hempstead Comptroller’s Office and City of Glen Cove IDAs pay the PILOT payments directly to the affected jurisdictions.

Major Findings of the Original Report

The major findings of the original report included:

- **The Nassau Department of Assessment did not record nor receive the County’s portion of \$7.6 million in PILOT revenues from the Town of Hempstead (\$5.2 million for 2017 & \$2.4 million for the first half of 2018). This audit prompted the payment of these funds.**
- More than \$6 million in total potential PILOT revenues to Nassau County were permanently lost because: the Department of Assessment failed to ensure that the Town of Hempstead billed expired PILOTs at the full assessed value until the parcels were restored to the tax roll; and the Town of Hempstead did not notify the Department of Assessment of early termination of PILOT agreements.
- The Department of Assessment did not invoice the Nassau County IDA for over \$500,000 in reimbursements for contractual services provided. These are greatly needed County General Fund revenues.

² General Municipal Law, Article 18-A, Industrial Development Title 1, Agencies, Organization and Powers, Section 852. Policy and Purposes of Article.

³ General Municipal Law, Article 18-A, Industrial Development Title 1, Agencies, Organization and Powers, Section 854. (17) Definitions.

INTRODUCTION

- Late fees were waived in several circumstances.
- The Nassau County IDA did not provide requested evidence until after field work was completed regarding the monitoring and compliance of PILOT employment benefits, and in nearly half of the sampled PILOT projects, employment goals were not met.

Major Recommendations of the Original Report

The major recommendations of the original report included:

- The Department of Assessment should take the necessary steps to ensure that County PILOT revenues are collected.
- The Department of Assessment should work with the three IDAs in Nassau County to establish procedures to prevent expired or early terminated PILOTS from remaining off the tax rolls, which can lead to lost revenues.
- The Department of Assessment should investigate state legislation or PILOT contract wording that would require PILOT recipients to record their deeds within 30 days of expiration of the PILOT or incur a penalty.
- The Department of Assessment should invoice and collect from the Nassau County IDA the over \$500,000 in staff salary costs owed to the County, which are greatly needed General Fund revenues.
- The Department of Assessment should not waive late fees.
- The Nassau County IDA should monitor and track the number of employees retained or hired and obtain supporting documents to ensure compliance with the PILOT and lease agreements.

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Summary of Assessment of Audit Recommendations

Exhibit III below shows the summary of audit findings and recommendations. The recommendations have been individually color coded to denote the Auditors' status assessment of each recommendation: Implemented (**Green**), In Process (**Yellow**), Not Implemented (**Red**), or Not Applicable (No Highlighting)⁴.

Exhibit III

Summary of Department of Assessment Collection of Payments in Lieu of Taxes Audit Recommendations		
#	Audit Finding	Audit Recommendation(s)
1	The Department of Assessment Did Not Record nor Receive the County's Portion of PILOT Revenue of \$5.2 Million from the Town of Hempstead for 2017 and an Estimated \$2.4 Million for 2018	<p>a) The DOA should take the necessary steps to ensure that all County revenue is collected; specifically the \$5.2 million for 2017 that they failed to collect from the Town of Hempstead.</p> <p>b) The DOA should develop and distribute to the staff written procedures to correctly prepare accounting entries to record PILOT revenues receivables from the three IDAs in Nassau County.</p> <p>c) The DOA should develop procedures for the Office of Assessment management to monitor the PILOT receivables on a quarterly basis to ensure that they are actually collected and the County receives its share.</p>
2	The Department of Assessment Failed to Ensure that the Town of Hempstead IDA & Town of Hempstead Comptroller Continued to Bill Expired PILOTs at the Full Assessed Value Until the Parcels were Restored to the Tax Roll Resulting in a Loss of Approximately \$3.6 Million in Tax Revenue	<p>a) The DOA should work with the IDAs to investigate State legislation or PILOT contract wording that would require PILOT recipients to record their deeds within 30 days of the expiration of the PILOT or incur a penalty.</p> <p>b) The DOA should meet with the IDAs to establish control procedures that require the Agencies to:</p> <ul style="list-style-type: none"> i. notify the Exempt Division on the extension of PILOT agreements before the expiration dates; ii. obtain from the Department of Assessment the tax to be billed (based on the fully assessed value of the parcel) until the PILOT parcel is restored to the tax roll; and iii. follow-up with the PILOT owner to ensure the deed transfer was filed with the County Clerk in a timely manner. <p>c) The DOA should meet with the County Clerk's Office to establish procedures to provide the Exemption Changes (transcripts) to the Assessment Department on a monthly basis.</p>
3	Failure to Notify the Department of Assessment of Early Termination of Two Town of Hempstead PILOTs Resulted In a Tax Loss of Over \$3.1 Million	<p>a) The DOA should work with the TOHIDA to require timely notification of terminated or amended PILOTs by the Agencies.</p> <p>b) The DOA should contact Agencies on a timely basis when PILOT agreements are nearing expiration to determine whether the projects are going to be terminated or extended.</p>

⁴ With respect to Findings 8 and 9, the corrective actions recommended were for the Nassau County Industrial Development Agency (NCIDA), therefore they were not included in the performance calculations with respect to the Department of Assessment.

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Summary of Department of Assessment Collection of Payments in Lieu of Taxes Audit Recommendations		
#	Audit Finding	Audit Recommendation(s)
4	The Department of Assessment did not Remit Over \$7.4 Million of PILOT Receipts to the Affected Tax Jurisdictions within 30 Days as Required by NYS Law	<p>a) As the Department of Assessment needs to rely on other departments to distribute payments, they need to follow-up with the other departments to process the distribution documents promptly in order to ensure distributions on a timely basis.</p> <p>b) Management of the Department of Assessment needs to monitor the processes in the Department, to ensure the Department is acting in compliance with the law. This includes ensuring staff resources are adequate to satisfy statutory requirements.</p>
5	The Department of Assessment Did Not Invoice the Nassau County IDA and Obtain Reimbursement for Over \$530,000 in County Staff Salaries	<p>a) The DOA should invoice and collect from the Nassau County IDA the cost of County PILOT salaries of approximately \$532,224 for contracted services provided to the Nassau County IDA, (required by the License and Cooperation Agreement and allowed by New York State General Municipal Law).</p> <p>b) The DOA should diligently track the percentage of time County employees perform IDA services, calculate the related payroll cost and routinely bill the IDA for these costs.</p>
6	Two Delinquent Nassau County IDA PILOT Payments Totaling \$22,193 Were Waived Although There Were No Written Policies on Waiving Delinquent PILOT Charges	<p>a) The DOA should not waive statutorily required late fees.</p> <p>b) The DOA should establish written policies on delinquent PILOT payments that includes the process for billing and collection and addresses the waiving of late charges to ensure compliance with the Law.</p>
7	The Department of Assessment Does Not Have Written Policies and Procedures for the Billing, Recording or Monitoring of PILOTS	<p>a) The DOA should develop and disseminate written policies and procedures on PILOT for:</p> <ul style="list-style-type: none"> i. billing; ii. collection; iii. allocation and distribution of revenues; and iv. delinquent PILOT payments. <p>These should detail each process, including due dates/times of each activity and the responsibilities for each staff title involved. Sample documents and examples should be included; and</p> <p>b) develop a procedure for updates to policies and procedures that are documented and dated.</p>
8	The Nassau County IDA Did Not Provide Sufficient Information for Recaptured Monies for the Period 2014 to 2017 Until After Fieldwork was Completed; Auditors Could Not Determine if the NCIDA was Properly Monitoring the PILOTS for Compliance with PILOT and Lease Agreements	<p>As the Nassau County IDA did not provide the requested list of PILOT projects that were recaptured (stating the project name, the date the project began and ended, date of recapture, amount of recapture and whether the funds collected were distributed to the affected tax jurisdictions) until after the end of fieldwork on October 20, 2017, the Auditors could not ensure that PILOT projects were properly monitored for compliance with the PILOT and Lease agreements. Therefore, this is one of the reasons this Office is currently conducting an audit of the Nassau County IDA.</p> <p>See our report on the Limited Review of the Nassau County IDA Operations and Internal Financial Controls dated December 28, 2020.</p>
9	Auditors Were Not Provided With Evidence that the Nassau County IDA Monitored and Ensured Compliance with the Employment Benefits Specified in the PILOTS	<p>The Nassau County IDA should monitor and track the number of employees retained or hired and obtain the supporting documents to ensure compliance with the PILOT and Lease agreements. As noted in Audit Finding (8) above, this Office is currently conducting an audit of the Nassau County IDA, which will include an evaluation of its Project Monitoring and Compliance Policy.</p> <p>See our report on the Limited Review of the Nassau County IDA Operations and Internal Financial Controls dated December 28, 2020.</p>

AUDITOR FOLLOW-UP ASSESSMENT OF PROGRESS

Auditor Assessment of Recommendation Implementation Progress

This section provides details on the audit report findings, recommendations, progress reports from the Department of Assessment and the Auditors’ analysis of the recommendation implementation. The recommendation implementation status also includes a color-coded bullet to indicate its progress.

Finding 1 Title	The Department of Assessment Did Not Record nor Receive the County’s Portion of PILOT Revenue of \$5.2 Million from the Town of Hempstead for 2017 and an Estimated \$2.4 Million for 2018
Finding 1 Recommendations	<p>The Department of Assessment should:</p> <p>a) take the necessary steps to ensure that all County revenue is collected; specifically, the \$5.2 million for 2017 that they failed to collect from the Town of Hempstead;</p> <p>b) develop and distribute to the staff written procedures to correctly prepare accounting entries to record PILOT revenues receivables from the three IDAs in Nassau County; and</p> <p>c) develop procedures for the Office of Assessment management to monitor the PILOT receivables on a quarterly basis to ensure that they are actually collected and the County receives its share.</p>
DoA & IDA’s Responses to 10/03/18 Report	<p><u>Department of Assessment Response to Recommendation 1</u></p> <p><i>“We believe this section only refers to the Town of Hempstead.”</i></p> <p><u>Town of Hempstead IDA Response to Recommendation 1</u></p> <p><i>“As per the attached spreadsheets⁵, the Agency forwarded all PILOT payments from all active PILOTS, as have been past practice for many years, to the Town of Hempstead Comptroller's Office to disburse the funds for all PILOT projects within the jurisdiction of the TOHIDA. (See attached yellow highlighted document). The Agency is unaware as to the status of the funds or why the funds were not disbursed by the Town of Hempstead Comptroller's Office. All information circulated to the Agency from the Town of Hempstead Comptroller's Office indicated that the disbursements were made. (See attached PILOT reports for 2017 and 2018 generated by the Town of Hempstead</i></p>

⁵ Detail spreadsheets provided to the Comptroller’s Office were too cumbersome to reproduce and are available for review at Room 207 in the Comptroller’s Office.

AUDITOR FOLLOW-UP ASSESSMENT OF PROGRESS

	<p><i>Comptroller's Office). The Agency was not informed by the Town that the funds were not being released to the appropriate jurisdictions until the question was posed by the Nassau County Comptroller's Office as a result of the Audit.”</i></p> <p><u>Nassau County IDA Response to Recommendation 1</u></p> <p><i>“While this recommendation seems to apply only to the Department, we agree that all County revenues should be timely collected and recorded.”</i></p> <p><u>Glen Cove IDA Response to Recommendation 1</u></p> <p><i>“While the IDA cannot attest to the factual content of the report, we do not have any further comment or clarification on the findings or recommendations.”</i></p>
<p>Auditors’ Follow-Up Comments</p>	<p>We do not concur with the Department of Assessment’s (“Assessment”) response to our recommendations. As the overseer of PILOT funds for the County, Assessment bears some responsibility in this matter.</p> <p>We reiterate that Assessment should develop written procedures to record and monitor PILOT revenue receivables from all three IDAs. Assessment should also investigate the \$5.2 million for 2017 and the \$2.4 million for 2018 that the Town of Hempstead owes the County.</p> <p>* On August 17, 2018 the TOH Comptroller’s Office delivered to the County a check for \$7,628,275 for outstanding 2017-2018 PILOT payments to Nassau County.</p>
<p>DoA’s Response to Audit Follow-Up</p>	<p><i>1.a) 04/15/19 - “On August 17, 2018 the TOH Comptroller's Office issued a check to the County for \$7,628, 275 for outstanding 2017-2018 PILOT payments to Nassau County.”</i></p> <p><i>1.b) 04/15/19 - “The Quality Assurance Unit (QAU) is currently developing procedures to ensure the recording and monitoring of PILOT revenue receivables. QAU anticipates finalizing procedures by end of 2nd Quarter, 2019. A formal training session will be held and acknowledgement forms signed by employees involved in the process.”</i></p> <p><i>05/23/19 – “We will provide your office with a final copy of the procedures when completed. We are anticipating completing them in accordance with the timeline mentioned.”</i></p>

AUDITOR FOLLOW-UP ASSESSMENT OF PROGRESS

	<p>07/30/19 – <i>“The finalization of the PILOT procedures has been delayed. It is anticipated that the procedures will be completed by end of August 2019.”</i></p> <p>10/16/19 – <i>“PILOT Policy and Procedures were finalized and issued. See attachment.”</i></p> <p>1.c) 04/15/19 - <i>“In addition to response noted in 1.b), Additionally, there will be regular meetings scheduled between the DoA Accounting Division, IDA, and Treasurers to ensure all PILOT Agreements are billed, payments are received, and tax jurisdictions are paid timely. The first meeting is scheduled on April 24th.”</i></p> <p>05/23/19 – <i>“Formal minutes were not documented. However, we understand that Mr. Couglan, IDA CEO provided you with a detailed summary of the meeting discussions.”</i></p>
<p>Post Audit Follow-Up Analysis</p>	<p>1.a) Auditors verified that the amount owed to the County by TOHIDA was received on August 17, 2018. In addition, Auditors received a letter dated April 9, 2019 from the TOHIDA which stated that the Agency was up to date in their remittance of PILOT payments to the Nassau County Department of Assessment.</p> <p>1.b) Auditors requested and were provided with a copy of the policy dated 10/1/19 on 10/17/19. Auditors reviewed this policy and noted that it addressed the procedures to prepare accounting entries for recording PILOT revenues and receivables.</p> <p>1.c) Auditors requested and were provided with a copy of the policy for monitoring PILOT receivables (also referred to in 1.b). Auditors reviewed this policy and confirmed that the wording included procedures for timely collection and monitoring of PILOT revenues and receivables.</p> <p>In addition, the Auditors requested the minutes and attendance sheet corresponding to the first meeting between the DoA’s Accounting Division, IDA, and the County Treasurer’s Office on April 24, 2019. to ensure all PILOT agreements are billed, payments are received, and tax jurisdictions are paid timely. The DoA explained that formal minutes were not documented. Alternatively, the Auditors obtained and reviewed a detailed summary of the meeting discussions confirming that the actual meeting took place.</p>

AUDITOR FOLLOW-UP ASSESSMENT OF PROGRESS

Auditor Assessment of Progress	<ul style="list-style-type: none"> ● 1.a) We are pleased that the TOHIDA paid the County the amount owed, and procedures have been adopted to ensure PILOT payments are being monitored and paid in a timely manner. ● 1.b) We are pleased our recommendation appears to have been implemented. ● 1.c) We are pleased our recommendation appears to have been implemented, and we commend the DoA for implementing periodic meetings with its Accounting Division, IDA and Treasurer’s Office to ensure even further that the PILOT payments are processed and paid on time.
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Finding 2 Title	The Department of Assessment Failed to Ensure that the Town of Hempstead IDA & Town of Hempstead Comptroller Continued to Bill Expired PILOTs at the Full Assessed Value Until the Parcels were Restored to the Tax Roll Resulting in a Loss of Approximately \$3.6 Million in Tax Revenue
Finding 2 Recommendations	<p>The Department of Assessment should:</p> <ul style="list-style-type: none"> a) work with the IDAs to investigate State legislation or PILOT contract wording that would require PILOT recipients to record their deeds within 30 days of the expiration of the PILOT or incur a penalty; b) meet with the IDAs to establish control procedures that require the Agencies to: <ul style="list-style-type: none"> i. notify the Exempt Division on the extension of PILOT agreements before the expiration dates; ii. obtain from the Department of Assessment the tax to be billed (based on the fully assessed value of the parcel) until the PILOT parcel is restored to the tax roll; and iii. follow-up with the PILOT owner to ensure the deed transfer was filed with the County Clerk in a timely manner. c) meet with the County Clerk’s Office to establish procedures to provide the Exemption Changes (transcripts) to the Assessment Department on a monthly basis.

AUDITOR FOLLOW-UP ASSESSMENT OF PROGRESS

DoA & IDA's Responses to 10/03/18 Report

Department of Assessment Response to Recommendation 2

“The Department of Assessment agrees (the “Department”) should meet regularly with the TOHIDA and adopt policies and procedures to ensure that exempt properties are timely returned to the tax rolls. With such policies and procedures in place, we do not believe that further State legislation would be necessary. Additionally, the Department, working with Information Technology, is in the process of implementing new software to improve the process of billing, communicating, tracking, and reconciling PILOTS. Information Technology took data pods and converted them to tables into database. Writing data entry screens to input NEW pilots and manage old/existing PILOTS. Implemented multiple scripts to generate PILOT bills for both IDA and LIPA pilot agreements.”

Note: In a meeting on September 19, 2018 the Department of Assessment changed its response that is shown on page 38 of Appendix D to indicate that “the new software has not been implemented yet and to change NCIDA to TOHIDA.”*

*Appendix D of the original report is not included as part of this follow-up report.

Town of Hempstead IDA Response to Recommendation 2

“As was previously stated in our letter of April 20, 2018, Paragraph 4, “The Agency cannot and does not bill taxes.” The Department of Assessment on many occasions has made it clear they will not do tax calculations for developed or undeveloped parcels, to develop a PILOT or to bill for a PILOT. The Town of Hempstead does not have its own Assessor and has no way to ascertain the actual tax payments due and owing on any parcel or property outside of the PILOT Agreement. As we pointed out, absent a formal procedure whereby the Nassau County Assessor's Office would furnish tax information, the TOHIDA would not have an accurate way to calculate the taxes due or any mechanism to disburse.”

“With regard to email verification on page 9, paragraph 3, the TOHIDA rarely receives an email to confirm the information you outline in the Audit. As stated in the letter of April 20th, termination is defined in the PILOT Agreement and the Lease Agreement at the time of filing of the termination documents with the Nassau County Clerk's Office. Amended PILOT's are filed with the Nassau County Assessor's Office together with Form RP 412a, copies of which are also sent to the Chief Elected Officer of each affected Tax Jurisdiction as required by Section 874 of the New York General Municipal Law. PILOT's are filed with the Assessor's Office in the same manner that a new PILOT is filed.”

AUDITOR FOLLOW-UP ASSESSMENT OF PROGRESS

	<p><u>Nassau County IDA Response to Recommendation 2</u></p> <p><i>“While this recommendation seems to apply primarily to the Town of Hempstead Industrial Development Agency (“TOHIDA”) and the Town of Hempstead, we agree that the Department should work with the IDAs regarding timely notification of expiring PILOTs. We note that the Department, any applicable village assessor and all of the affected tax jurisdictions are advised of the stated expiration date of a PILOT within 15 days after the initial closing date of a project transaction pursuant to the filing of an RP-412-a Form in accordance with state law. That expiration date remains in effect unless and until NCIDA (or any other IDA) files an amendment to the RP-412-a Form.”</i></p> <p><i>“Also, while we disagree with a number of the factual findings, the NCIDA agrees that the Department should meet regularly with the County IDAs and adopt policies and procedures to ensure that exempt properties are timely returned to the tax rolls. We would appreciate the opportunity to meet with the Department prior to the adoption of such policies and procedures because we believe there are a number of circumstances under which exempt properties should not be or cannot be returned to the tax rolls as soon as the PILOT benefit expires. With such policies and procedures in place, we do not believe that further state legislation would be necessary.”</i></p> <p><u>Glen Cove IDA Response to Recommendation 2</u></p> <p><i>“While the IDA cannot attest to the factual content of the report, we do not have any further comment or clarification on the findings or recommendations.”</i></p>
<p>Auditors’ Follow-Up Comments</p>	<p>We reiterate that Assessment meet with all IDA’s to: 1) adopt policies and procedures regarding notification before PILOTs expire, 2) obtain from Assessment the tax to be billed based on the full assessed value of the parcels until the parcels are restored to tax roll and 3) follow-up with the PILOT owners to file deed transfers with the County Clerk in a timely manner to ensure that exempt parcels are returned to the tax rolls timely.</p> <p>We do not concur with Assessment and the NCIDA that State legislation is not necessary and reiterate that legislation to change PILOT contract wording to require PILOT recipients to record their deeds within 30 days of expiration or incur a penalty to ensure parcels are returned to the roll promptly.</p>

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	<p>We reiterate that Assessment create procedures with the County Clerk to provide the Exemption Change reports to Assessment on monthly basis. We commend Assessment’s plans to automate the billing, tracking and reconciling PILOT process.</p> <p>We commend the NCIDA’s actions to advise Assessment, the applicable village assessors and affected tax jurisdictions of expired PILOTs within 15 days after the initial closing date of the project transaction.</p>
<p>DoA’s Response to Audit Follow-Up</p>	<p>2.a) 04/15/19 - <i>“DoA will commence discussions with the IDAs to revisit PILOT contract wording and feasibility of imposing penalties on PILOT recipients for not recording their deeds timely. A resolution is planned before the end of the 3rd quarter, 2019. DoA will address this issue with Nassau IDA at periodic group meetings.”</i></p> <p>05/23/19 – <i>“When ready, DoA will provide copy of resolution.”</i></p> <p>07/30/19 – <i>“Contract is still in draft mode and under review. DoA believes the end of 3rd Quarter, 2019 target date (previously indicated in the 6month follow-up response) is still reasonable timeframe to expect the finalization of the contract.”</i></p> <p>10/16/19 – <i>“Contract is still in draft mode and dialogue between the County and IDA has begun. DoA believe the Contract will be finalized before the end of 2019.”</i></p> <p>10/01/20 <i>“DoA is no longer pursuing the plan to revisit PILOT Contract language. DoA does not think it necessary nor further State Legislation since their policies and procedures are now documented and they have strengthened / increased communications with the IDAs to ensure expired PILOTs and associated properties are returned to the tax rolls. DoA also plans to attend the IDAs’ Board Meetings to get advance notice of new, expired and near future expiration of PILOTs to ensure that those items are on their watch list for follow up with the PILOT holders and/or the County Clerk to get deed transfers executed more timely.”</i></p> <p>2.b) 4/15/19 - <i>“QAU [Quality Assurance Unit] is currently developing procedures to ensure that when a PILOT Agreement expires it is returned to the tax roll in a timely manner. QAU anticipates finalizing procedures by end of 2nd Quarter, 2019. A formal training session will be held and acknowledgement forms signed by employees involved in the process.”</i></p>

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	<p>05/23/19 – <i>“We will provide your office with a final copy of the procedures when completed. We are anticipating completing them in accordance with the timeline mentioned.”</i></p> <p>07/30/19 – <i>“The finalization of the PILOTS procedures has been delayed. It is anticipated that the procedures will be completed by end of August, 2019.”</i></p> <p>10/16/19 – <i>“PILOTS Policy and Procedures were finalized and issued. See attachment.”</i></p> <p>2.c) 04/15/19 - <i>“DoA will meet with County Clerk's office in May.”</i></p> <p>05/23/19 – <i>“Date has not yet been set as of now.”</i></p> <p>07/30/19 – <i>“DoA has not been able to successfully schedule a meeting with the Clerk’s Office. DoA will attempt to schedule a meeting...”</i></p> <p>10/01/20 – <i>“DoA has not been able to meet with the County Clerk. DoA is considering implementing a mitigating control to run a report of 5217 forms to alert them of all deed transfers that will be cross referenced to PILOT parcels. Unfortunately, any PILOTS that are effectuated as a lease will not be captured by this report. In these instances, DoA will still need the cooperation of the individual IDAs to know when to put expiring leased properties back on the tax roll.”</i></p>
<p>Post Audit Follow-Up Analysis</p>	<p>2.a) As noted above, Auditors requested from, and were informed by DoA, many times in 2019 and 2020 that a copy of the resolution addressing the contract wording would be provided when ready. Then, on 10/01/20, the DoA advised the Auditors that it is no longer pursuing the plan to revisit PILOT Contract language because DoA does not think it necessary since their policies and procedures are now documented and they have strengthened/increased communications with the IDAs to ensure expired PILOTs and associated properties are returned to the tax rolls.</p> <p>The Auditors do not concur with DoA and NCIDA that State legislative changes are not necessary to change the contract wording to require PILOT recipients to file their deeds within 30 days of expiration or incur a penalty.</p>

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	<p>2.b) Auditors requested and were provided a copy of the draft procedures that are being prepared by the Administration to address what happens when a PILOT Agreement expires to ensure that it is returned to the tax roll in a timely manner. Auditors verified that the PILOT Policy and Procedures provided on 10/16/19 which were dated October 1, 2019, included wording for putting the property back on the tax roll, removing the exemption, and the petition process.</p> <p>Additionally, on December 23, 2019, the DoA sent a letter informing the Auditors that their Quality Assurance Unit has initiated a top-to-bottom review of the PILOT process with the goal of automating the process through the development of an online PILOT portal. The new PILOT Portal is designed to ensure the subject property is removed and restored on a timely manner into the tax roll at the end of the PILOT term. As of the date of this report, and due to the COVID-19 pandemic, DoA has not provided any additional information on whether and to what extent the PILOT portal was fully implemented.</p> <p>2.c) Auditors requested a copy of the minutes to the meeting that was to have occurred in May and were advised that by DoA that <i>“Due to multiple other assessment priorities DoA will attempt to schedule a meeting with the County Clerk in November.”</i> As of the date of this report, and due to the COVID-19 pandemic, the DoA has not provided any additional information on whether this meeting has occurred or the minutes from such a meeting.</p> <p>We concur with the DoA in considering implementing a mitigating control report of 5217 forms for all deed transfers since they were not able to meet with the County Clerk. However, we reiterate that the DoA should meet with the County Clerk’s Office to establish procedures to provide the Exemption Changes to the Assessment on a monthly basis.</p>
<p>Auditor Assessment of Progress</p>	<p>● 2.a) Our recommendation was not implemented as of the date of this report.</p> <p>● 2.b) We commend the DoA in addressing the return of expired PILOT Agreements to the tax roll in a timely manner in its PILOT Policy and Procedures and to create a PILOT portal. However as of this date, the implementation of our recommendation is still in progress since no information on the operation of the PILOT portal was provided to us.</p> <p>● 2.c) We commend the DoA for taking the first steps to consider implementing a control report for all deed transfers, however as of the</p>

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	date of this report, the implementation of our recommendation is still in progress.
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Finding 3 Title	Failure to Notify the Department of Assessment of Early Termination of Two Town of Hempstead PILOTs Resulted In a Tax Loss of Over \$3.1 Million
Finding 3 Recommendations	<p>The Department of Assessment should:</p> <p>a) work with the TOHIDA to require timely notification of terminated or amended PILOTs by the Agencies; and</p> <p>b) contact Agencies on a timely basis when PILOT agreements are nearing expiration to determine whether the projects are going to be terminated or extended.</p>
DoA & IDA's Responses to 10/03/18 Report	<p><u>Department of Assessment Response to Recommendation 3</u></p> <p><i>"We agree that the Department should, and will, work with the NCIDA and Town of Hempstead IDA regarding timely notification of early terminating PILOTs."</i></p> <p><u>Town of Hempstead IDA Response to Recommendation 3</u></p> <p><i>"The Agency gave an extensive explanation in our letter of April 20th concerning two terminated PILOT Agreements; Rose Fence and Sunrise Assisted Living. The Agency also takes exception to the information stated in the Audit that "the TOHIDA did not respond promptly to requests from the Exempt Division" concerning Sunrise Assisted Living. Any questions raised with the Agency by the Department of Assessment are always responded to in a timely manner so as to avoid any confusion about the status of a project. Please furnish the Agency with specifics of the IDA's failure to respond "timely".</i></p> <p><i>"With regard to Sunrise Assisted Living, the project was terminated 3 years prior (October 2013) to the Nassau County Assessment Department contacting the Agency to ask about the status (April 2016). The schedule date of termination, as per the filed PILOT Agreement was December 31, 2014. This project was part of a ground lease with the County of Nassau and Nassau County was a party to the</i></p>

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	<p><i>termination documents and executed same and filed with an RPT 584 dated October 1, 2013. (See attached)” *</i> <i>*The attachment is not included with this Follow-Up report.</i></p> <p><i>“As previously stated, Rose Fence was terminated for non-compliance and the TOHIDA and counsel were in constant contact with Lynne Lemieux of the Assessor's Office to keep her updated on the status of this project and the difficulties encountered in the recordation of the deed.”</i></p> <p><i>“The Agency read the last paragraph of page 12 with great interest and objects to the reference of the lack of communication concerning Richner Communications. The Agency communicated effectively with regard to this PILOT extension. The Agency entered into an amended and Restate Lease and Project Agreement dated as of August 1, 2016 which contained the amended, restated and extended PILOT provisions. The Nassau County Department of Assessment returned the property to the tax rolls prematurely without the required documentation or deed to do so. As was previously pointed out, the project was the subject of litigation and settled by the County of Nassau without any obligation on the part of the TOHIDA and, once satisfied, the appropriate amendment documentation was filed in October 2017. Attached is the final Order and Stipulation dated January 17, 2018 settling the Article 78 Proceeding and an accompanying Article 7 Proceeding involving the Richner Communications Facility.” *</i> <i>*The attachment is not included with this Follow-Up Report.</i></p> <p><u>Nassau County IDA Response to Recommendation 3</u></p> <p><i>“While this recommendation seems to apply only to TOHIDA, we agree with the need for policies and procedures designed to ensure continued PILOT billing between the end of the abatement period and the return of the subject properties to the tax rolls.’</i></p> <p><u>Glen Cove IDA Response to Recommendation 3</u></p> <p><i>“While the IDA cannot attest to the factual content of the report, we do not have any further comment or clarification on the findings or recommendations.”</i></p>
<p>Auditors’ Follow-Up Comments</p>	<p>We concur with the corrective action to be taken by Assessment to work with the NCIDA and TOHIDA regarding timely notification of early terminating PILOTs.</p>

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	<p>We reiterate that Assessment should contact Agencies when PILOT agreements are near expiration to determine whether the project is extended or terminated on a timely basis.</p> <p>We changed the report regarding the Sunrise Assisted Living PILOT as documents were provided by the TOHIDA that indicate the County of Nassau was a party to the early termination agreement which was signed by the County Attorney.</p> <p>With respect to the TOHIDA’s objection to the lack of communication concerning the Richner Communication PILOT property, the PILOT expired on December 31, 2015. Assessment reclassified the leased parcel to a taxable status on June 7, 2016 and the Assessment Review Commission (ARC) notified the TOHIDA. Then 8 months later, the TOHIDA amended the PILOT. Documentation provided with the TOHIDA’s response shows that the County Attorney’s Office was aware of a lawsuit involving the Richner Communication PILOT property, but Assessment states it was not notified.</p> <p>We concur that policies and procedures be created to ensure continued PILOT billing between the end of the abatement period and the return of the subject parcel to the tax rolls.</p>
<p>DoA’s Response to Audit Follow-Up</p>	<p><i>3.a) and b) - 04/15/19 - “DoA will follow similar approach with NCIDA & hold regular periodic meetings with TOHIDA where discussions will highlight approaching terminations and/or need to amend PILOT agreement to extend end dates. Minutes will be documented summarizing decisions & next steps. DoA anticipates holding 1st.meeting sometime before the end of 2nd Qtr, 2019. DoA & TOHIDA will agree on schedule of future periodic meetings.”</i></p> <p><i>05/23/19 – “Meeting with TOHIDA was held May 21st. Meeting minutes have not yet been finalized. When finalized, a copy will be provided. A meeting was also held on the same matter with the Glen Cove IDA.”</i></p> <p><i>07/30/19 – “Attached please find minutes from the two meetings.”</i></p>
<p>Post Audit Follow-Up Analysis</p>	<p>Auditors requested and were provided on August 2, 2019 with the minutes to meetings held on May 21 and 23, 2019, respectively, confirming that the meetings took place and facilitated an open discussion of PILOT matters between the DoA, TOHIDA, and the Glen Cove IDA.</p>
<p>Auditor Assessment of Progress</p>	<p>● 3. a) We are pleased that the DoA has met with the TOHIDA and our recommendation appears to have been implemented.</p>

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	<p>● 3. b) We are pleased that the DoA has met with other Agencies, such as the Glen Cove IDA and our recommendation appears to have been implemented.</p>
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Finding 4 Title	The Department of Assessment did not Remit Over \$7.4 Million of PILOT Receipts to the Affected Tax Jurisdictions within 30 Days as Required by NYS Law
Finding 4 Recommendations	<p>a) As the Department of Assessment needs to rely on other departments to distribute payments, they need to follow-up with the other departments to process the distribution of documents promptly in order to ensure distributions on a timely basis.</p> <p>b) Management of the Department of Assessment needs to monitor the processes in the Department, to ensure the Department is acting in compliance with the law. This includes ensuring staff resources are adequate to satisfy statutory requirements.</p>
DoA & IDA’s Responses to 10/03/18 Report	<p><u>Department of Assessment Response to Recommendation 4</u></p> <p><i>“The Department agrees with the recommendation, the County is currently working to hire additional accounting staff in the Department, who will assist address this and other findings in the Review.”</i></p> <p><u>Nassau County IDA Response to Recommendation 4</u></p> <p><i>“While this recommendation seems to apply only to the Department, we agree with the need to timely remit to the affected tax jurisdictions all PILOT payments received.”</i></p> <p><u>Glen Cove IDA Response to Recommendation 4</u></p> <p><i>“While the IDA cannot attest to the factual content of the report, we do not have any further comment or clarification on the findings or recommendations.”</i></p>
Auditors’ Follow-Up Comments	<p>We concur with Assessment’s efforts to hire staff to assist in addressing the need to monitor and follow-up with other departments on the distribution of PILOT receipts to affected jurisdiction, which are required to be remitted within 30 days of receipt to comply with the Law.</p>

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<p>DoA's Response to Audit Follow-Up</p>	<p>4.a) 04/15/19 - "DoA is in the process of setting up regular meetings (at least quarterly) between the DoA's Accounting Division, IDA, and Treasury. At the meetings, topics to be discussed will include but not be limited to the reporting of anticipated PILOTS in the pipeline, recent PILOT billing and payment activity, PILOT terminations and extensions. The first meeting is scheduled for April 24th".</p> <p>05/23/19 – "Meetings will be held monthly and Nassau IDA has provided you with the schedule."</p> <p>4.b) 04/15/19 - "DoA has hired and assigned two staff members to the Accounting Division who will assist in processing distributions. There is plan to hire two more staff members by the end of third Quarter, 2019."</p> <p>05/23/19 – "Acctg Div hired [REDACTED], Administrative Assistant, [REDACTED], Accountant I, & [REDACTED], Accounting Assistant I & looking to hire one more Accounting Assistant I."</p>
<p>Post Audit Follow-Up Analysis</p>	<p>4.a) Auditors requested and were provided with the schedule of quarterly meetings between the Department of Assessment's Accounting Division, the NCIDA, and the Treasurer's Office.</p> <p>4.b) On May 23, 2019, DoA advised that as a result of the Auditors' recommendation, the DoA has hired (3) more staff members: (1) Administrative Assistant, (1) Accountant I, and (1) Accounting Assistant I.</p>
<p>Auditor Assessment of Progress</p>	<p>● 4.a) We are pleased that our recommendation appears to have been implemented.</p> <p>● 4.b) We are pleased that our recommendation appears to have been implemented.</p>

<p>Finding 5 Title</p>	<p>The Department of Assessment Did Not Invoice the Nassau County IDA and Obtain Reimbursement for Over \$530,000 in County Staff Salaries</p>
<p>Finding 5 Recommendations</p>	<p>The Department of Assessment should:</p> <p>a) invoice and collect from the Nassau County IDA the cost of County PILOT salaries of approximately \$532,224 for contracted services provided to the Nassau County IDA, (required by the License and</p>

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	<p>Cooperation Agreement and allowed by New York State General Municipal Law); and</p> <p>b) diligently track the percentage of time County employees perform IDA services, calculate the related payroll cost and routinely bill the IDA for these costs.</p>
<p>DoA & IDA’s Responses to 10/03/18 Report</p>	<p><u>Department of Assessment Response to Recommendation 5</u></p> <p><i>“The department agrees with the recommendation that invoices should be presented to the NCIDA routinely. The County is currently working to hire additional accounting staff in the Department, who will assist address this and other findings in the Review.”</i></p> <p><u>Nassau County IDA Response to Recommendation 5</u></p> <p><i>“The NCIDA is ready to reimburse the County for all proper expenses incurred in providing PILOT-related services to the NCIDA. Upon receipt of an itemized invoice, the appropriate personnel of the Agency will review it and process it for payment. We also agree with the recommendation that such invoices should be presented to the NCIDA routinely.”</i></p> <p><u>Glen Cove IDA Response to Recommendation 5</u></p> <p><i>“While the IDA cannot attest to the factual content of the report, we do not have any further comment or clarification on the findings or recommendations.”</i></p>
<p>Auditors’ Follow-Up Comments</p>	<p>We reiterate that the Department of Assessment should invoice the NCIDA as soon as possible for the contracted services performed by County employees on behalf of the NCIDA from January 1, 2014 through September 30, 2017, estimated to be \$532,224.</p> <p>We concur with the hiring of additional accounting staff and reiterate the need to diligently track the percentage of time County employees perform IDA services, calculate the related payroll cost and routinely bill the IDA for these costs.</p> <p>We concur with the NCIDA to reimburse the County for expenses incurred in providing PILOT-related services to the NCIDA upon receipt of itemized invoices that will be presented on a routine basis.</p>

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DoA's Response to Audit Follow-Up	5.a) & b) - 12/23/19 - In a letter to the Auditors on December 23, 2019, the DoA advised of the following, <i>“Upon further review and consideration, the County has determined that it will not invoice the Nassau County Industrial Development Agency (“NC IDA”) for services (“Services”) provided by the County in connection with PILOT administration by the Department of Assessment and other County departments. It is our determination that payments for such services are neither legally required, contemplated in prior agreements between the two parties, nor in the best interest of the County.”</i>
Post Audit Follow-Up Analysis	No additional follow-up deemed necessary by the Auditors.
Auditor Assessment of Progress	<p>● 5.a) This recommendation is considered completed. The County has determined that payments for such services are neither legally required, contemplated in prior agreements between the two parties, nor in the best interest of the County.</p> <p>● 5.b) This recommendation is considered completed. The County has determined that payments for such services are neither legally required, contemplated in prior agreements between the two parties, nor in the best interest of the County.</p>

Finding 6 Title	Two Delinquent Nassau County IDA PILOT Payments Totaling \$22,193 Were Waived Although There Were No Written Policies on Waiving Delinquent PILOT Charges
Finding 6 Recommendations	<p>The Department of Assessment should:</p> <p>a) not waive statutorily required late fees; and</p> <p>b) establish written policies on delinquent PILOT payments that includes the process for billing and collection and addresses the waiving of late charges to ensure compliance with the Law.</p>
DoA & IDA's Response to 10/03/18 Report	<p><u>Department of Assessment Response to Recommendation 6</u></p> <p><i>“We agree that statutorily mandated late fees and interest should not be waived by the Department, the NCIDA or otherwise. The policy, as recommended, will be written.”</i></p> <p><u>Nassau County IDA Response to Recommendation 6</u></p>

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	<p><i>“We agree that statutorily mandated late fees and interest should not be waived by the Department, the NCIDA or otherwise. The NCIDA includes a statement to this effect in its Uniform Tax Exemption Policy as a reminder to its staff and the public.”</i></p> <p><u>Glen Cove IDA Response to Recommendation 6</u></p> <p><i>“While the IDA cannot attest to the factual content of the report, we do not have any further comment or clarification on the findings or recommendations.”</i></p>
Auditors’ Follow-Up Comments	<p>We concur with Department of Assessment’s decision to establish written policies not to waive statutorily required late fees and penalties on delinquent PILOT payments.</p>
DoA’s Response to Audit Follow-Up	<p><i>6. a) & b)- 04/15/19 - “The QAU [Quality Assurance Unit] is currently developing policies & procedures & will ensure that it includes the handling of delinquent PILOT payments including billing, collection & waiving of late charges. QAU anticipates finalizing procedures by end of 2nd Qtr. 2019.</i></p> <p><i>A formal training session will be held & acknowledgement forms signed by employees involved in the process.”</i></p> <p><i>05/23/19 – “We will provide your office with a final copy of the procedures when completed. We are anticipating completing them in accordance with the timeline mentioned.”</i></p> <p><i>07/30/19 – “The finalization of the PILOTS procedures has been delayed. It will address late charges. It is anticipated that the procedures will be completed by end of August, 2019”</i></p> <p><i>10/16/19 – “PILOTS Policy and Procedures were finalized and issued.”</i></p> <p><i>10/01/20</i> <i>“It’s been a year to the date that DoA issues its PILOTS Standard Operating Procedures. DoA is required to review all procedures on an annual basis, or unless changes to the procedures occur sooner. DoA is currently undergoing its review of the PILOTS SOP and expects to be completed on or before the end of November, 2020. They have built in extra time to ensure they complete the review, make the changes, summarized the changes, distribute it to applicable employees and collect Acknowledgment Forms for the applicable</i></p>

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	<i>employees evidencing their receipt, understanding and future compliance with the SOP. During the process, DoA will include reference to the disallowance of waiving of PILOT late fees.”</i>
Post Audit Follow-Up Analysis	<p>Auditors received copy of the PILOT Policy and Procedures finalized and issued on October 16, 2019. Auditors reviewed this document and noted that it did not include specific wording for waiving of late fees, per our recommendation.</p> <p>On December 14, 2020, the Auditors received an updated PILOT Policy and Procedure that states DoA does not have the authority to waive PILOT late fees.</p>
Auditor Assessment of Progress	<ul style="list-style-type: none"> ● 6.a) We are pleased that our recommendation has been implemented and acknowledge the DoA’s efforts in creating PILOT Policy and Procedures that prohibit the waiving of PILOT late fees. ● 6.b) Same as 6.a). We are pleased that our recommendation has been implemented.

Finding 7 Title	The Department of Assessment Does Not Have Written Policies and Procedures for the Billing, Recording or Monitoring of PILOTs
Finding 7 Recommendations	<p>Management of the Department of Assessment needs to establish proper internal control by developing written procedures for PILOTs. The Department of Assessment should:</p> <p>a) develop and disseminate written policies and procedures on PILOT for:</p> <ul style="list-style-type: none"> i. billing; ii. collection; iii. allocation and distribution of revenues; and iv. delinquent PILOT payments. <p>These should detail each process, including due dates/times of each activity and the responsibilities for each staff title involved. Sample documents and examples should be included; and</p> <p>b) develop a procedure for updates to policies and procedures that are documented and dated.</p>

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<p>DoA & IDA’s Response to 10/03/18 Report</p>	<p><u>Department of Assessment Response to Recommendation 7</u></p> <p><i>“We concur with the need for policies and procedures for the timely billing, collection, allocation and distribution of PILOT payments, including delinquencies. The Department establishes appropriate policies and procedures as required.”</i></p> <p><u>Nassau County IDA Response to Recommendation 7</u></p> <p><i>“While this recommendation seems to apply only to the Department, we concur with the need for policies and procedures for the timely billing, collection, allocation and distribution of PILOT payments, including delinquencies.”</i></p> <p><u>Glen Cove IDA Response to Recommendation 7</u></p> <p><i>“While the IDA cannot attest to the factual content of the report, we do not have any further comment or clarification on the findings or recommendations.”</i></p>
<p>Auditors’ Follow-Up Comments</p>	<p>We concur with Assessment’s decision to develop policies and procedures for the timely billing, collection, allocation and distribution of PILOT payments, including delinquencies.</p> <p>We reiterate that Assessment also develop procedures for updates to policies and procedures that are documented and dated.</p>
<p>DoA’s Response to Audit Follow-Up</p>	<p>7.a) and b) – 04/15/19 - <i>“The QAU [Quality Assurance Unit] is in the process of developing procedures to ensure the billing, recording, monitoring of outstanding receivables, collection, allocation of distribution of revenues to taxing jurisdictions, & handling of delinquent of PILOT payments. QAU anticipates finalizing procedures by end of 2nd Quarter, 2019. A formal training session will be held & acknowledgement forms signed by employees involved in the process.”</i></p> <p>05/23/19 – <i>“We will provide your office with a final copy of the procedures when completed. We are anticipating completing them in accordance with the timeline mentioned.”</i></p> <p>07/30/19 – <i>“The finalization of the PILOTS procedures has been delayed. It is anticipated that the procedures will be completed by end of August, 2019.”</i></p> <p>10/16/19 – <i>“PILOTS Policy and Procedures were finalized and issued.”</i></p> <p>10/01/20 <i>“It’s been a year to the date that DoA issues its PILOTS Standard Operating Procedures. DoA is required to review all procedures on an annual basis, or unless changes to the procedures</i></p>

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	<p><i>occur sooner. DoA is currently undergoing its review of the PILOTS SOP and expects to be completed on or before the end of November 2020. They have built in extra time to ensure they complete the review, make the changes, summarized the changes, distribute it to applicable employees and collect Acknowledgment Forms for the applicable employees evidencing their receipt, understanding and future compliance with the SOP. During the process, DoA will include reference to the disallowance of waiving of PILOT late fees.”</i></p>
Post Audit Follow-Up Analysis	<p>7.a) Auditors requested and were provided a copy of the PILOT Policies & Procedures finalized and issued on October 1, 2019. Auditors confirmed that this policy included wording pertaining to the billing, recording, collection, monitoring of revenues, outstanding receivables, the allocation of revenues distributed to taxing jurisdictions, and the handling of delinquent of PILOT payments.</p> <p>7.b) Auditors reviewed the October 1, 2019 PILOT policies and procedures, referenced in 7.a) above, and determined that they do not include wording pertaining to updates to policies and procedures. However, the October 1, 2020 update does state that <i>“DoA is required to review all procedures on an annual basis, or unless changes to the procedures occur sooner.”</i> On December 14, 2020, the Auditors received an updated PILOT Policy and Procedure, which included wording on policy revision that was documented and dated.</p>
Auditor Assessment of Progress	<ul style="list-style-type: none"> ● 7.a) We are pleased our recommendation has been implemented. ● 7.b) We are pleased our recommendation has been implemented.

Finding 8 Title	The Nassau County IDA Did Not Provide Sufficient Information for Recaptured Monies for the Period 2014 to 2017 Until After Fieldwork was Completed; Auditors Could Not Determine if the NCIDA was Properly Monitoring the PILOTs for Compliance with PILOT and Lease Agreements
Finding 8 Audit Limitation	<p>As the Nassau County IDA did not provide the requested list of PILOT projects that were recaptured (stating the project name, the date the project began and ended, date of recapture, amount of recapture and whether the funds collected were distributed to the affected tax jurisdictions) until after the end of fieldwork on October 20, 2017, the Auditors could not ensure that PILOT projects were properly monitored for compliance with the PILOT and Lease agreements.</p>

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	<p>Therefore, this is one of the reasons this Office is currently conducting an audit of the Nassau County IDA.</p>
<p>DoA & IDA’s Responses to 10/03/18 Report</p>	<p><u>Department of Assessment Response to Recommendation 8</u></p> <p><i>“We believe this section only refers to the Nassau County IDA.”</i></p> <p><u>Nassau County IDA Response to Recommendation 8</u></p> <p><i>“We believe that the requested information was provided to the Comptroller’s Office prior to the issuance of the initial Draft Review. The NCIDA agrees to timely respond to any such future requests.”</i></p> <p><u>Glen Cove IDA Response to Recommendation 8</u></p> <p><i>“While the IDA cannot attest to the factual content of the report, we do not have any further comment or clarification on the findings or recommendations.”</i></p>
<p>Auditors’ Follow-Up Comments</p>	<p>The NCIDA did not provide the Auditors the requested recapture information during the fieldwork phase of the audit. The information was first provided to the Auditors in March 2018 in connection with a separate audit of the NCIDA which commenced in February 2018. As a result, there was an audit scope limitation and we were not able to determine if the NCIDA actively monitored and remitted monies to the County and other municipalities on non-performing PILOT projects. As a result of the scope limitation, this office conducted a separate audit of the NCIDA.</p>
<p>NCIDA’s Response to Audit Follow-Up</p>	<p>“Auditors did not request for the NCIDA to provide a follow-up response because at the time, the review of NCIDA Operations and Internal Financial Controls was an ongoing audit.”</p>
<p>Post Audit Follow-Up- Analysis</p>	<p>8.) The audit limitation concerned the NCIDA and not the DoA, and resulted in a separate audit of the NCIDA, therefore no follow-up with the DoA is necessary.</p>
<p>Auditor Assessment of Progress</p>	<p>8.) Since the limitation concerned the NCIDA and not the DoA, and resulted in a separate audit of the NCIDA, color coding is not applicable.</p> <p>See the Comptroller’s report “Limited Review of the NCIDA Operations and Internal Financial Controls” issued December 28, 2020, Finding 10 on recapture.</p>

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Finding 9 Title	Auditors Were Not Provided with Evidence that the Nassau County IDA Monitored and Ensured Compliance with the Employment Benefits Specified in the PILOTs
Finding 9 Recommendations	<p>The Nassau County IDA should monitor and track the number of employees retained or hired and obtain the supporting documents to ensure compliance with the PILOT and Lease agreements.</p> <p>As noted in Audit Finding (8) above, this Office is currently conducting an audit of the Nassau County IDA, which will include an evaluation of its Project Monitoring and Compliance Policy.</p>
DoA & IDA’s Responses to 10/03/18 Report	<p><u>Department of Assessment Response to Recommendation 9</u></p> <p><i>“We believe this section only refers to the Nassau County IDA”.</i></p> <p><u>Nassau County IDA Response to Recommendation 9</u></p> <p><i>“Again, we would welcome the opportunity to meet with your office to resolve what we believe to be the factual issues in this finding and we offer the attached Exhibit A which sets forth the correct job requirements and job reporting for what we believe to be the referenced 22 projects as well as the status of those projects. That being said, the NCIDA agrees that all IDAs should "monitor and track the number of employees retained or hired" to "ensure compliance with the PILOT and Lease agreements." In this regard, we note that the Agency adopted a Project Monitoring and Compliance Policy on or about June 28, 2016 (in response to changes in state law) to guide its efforts in monitoring project employment compliance. That policy, as currently in effect, can be found on the Agency's website.”</i></p> <p><u>Glen Cove IDA Response to Recommendation 9</u></p> <p><i>“While the IDA cannot attest to the factual content of the report, we do not have any further comment or clarification on the findings or recommendations.”</i></p>
Auditors’ Follow-Up Comments	<p>Based on additional information provided by the NCIDA after the Exit conference, the Auditors made changes to this finding which were included in the July 25, 2018 draft.</p> <p>The Audit Staff reviewed the NCIDA’s Exhibit A (attached to its response to this report and included in Appendix F) regarding the job requirements for the 22 projects tested. Auditors stand by their ten exceptions. The additional job requirements documentation provided by the NCIDA did not support their claim of factual issues with this</p>

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	<p>portion of the finding. According to NCIDA’s Exhibit A, 10 of the 22 projects were required to report a total of 1,733 jobs for 2015/16, but 1,279 jobs were reported, a difference of 454 less jobs for this time period. The IDA noted that in some instances, recapture of benefits were imposed.</p> <p>The Auditors met with the NCIDA on September 18, 2018 to discuss the factual issues referred to in their response and made clarifications in the report where deemed necessary and appropriate.</p> <p>This office is now conducting a separate audit of the NCIDA and compliance with employment benefits will be included.</p> <p>We concur with the NCIDA’s statement that all IDAs should monitor and track the number of employees retained or hired to ensure compliance with the PILOT and Lease agreements that are cited in the Agency’s Project Monitoring and Compliance Policy.</p>
NCIDA’s Response to Audit Follow-Up	<p>“Auditors did not request for the NCIDA to provide a follow-up response because at the time, the review of NCIDA Operations and Internal Financial Controls was an ongoing audit.”</p>
Post Audit Follow-Up Analysis	<p>9.) The finding and recommendation concerned the NCIDA and not the DoA and led to a separate audit of the NCIDA. Therefore, no follow-up with the DoA is necessary.</p> <p>See the Comptroller’s report on the Limited Review of the NCIDA Operations and Internal Financial Controls issued December 28, 2020.</p>
Auditor Assessment of Progress	<p>9.) Since both, the finding and the recommendation, concerned the NCIDA and not the DoA, color coding is not applicable.</p> <p>See the Comptroller’s report on the Limited Review of the NCIDA Operations and Internal Financial Controls dated December 28, 2020.</p>

End of Report

