



New York City Comptroller  
John C. Liu

NEWS RELEASE

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**LIU: CITY LEFT \$3.3 MILLION IN TAXES ON THE TABLE**  
*Lax Management Caused Missed Revenue Owed to City on Property and Utility Taxes*

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NEW YORK, NY – The City failed to collect a total of \$3,355,470 from property and utility taxes because of bookkeeping flaws, two audits released by Comptroller John C. Liu have revealed.

The first audit examined the City’s handling of its Payments in Lieu of Taxes (PILOTs) program from July 1, 2006 through December 31, 2009. The PILOT program offers substantial incentives and subsidies to property owners in the form of real property tax relief for the creation of affordable housing, jobs and economic growth within the City. The audit found the Department of Finance (DoF) failed to return 19 out of 54 expired PILOTs back onto the City tax rolls, failing to bill for \$785,730.

A second audit found that \$2,569,740 in unpaid utility tax bills slipped past the DoF because of flaws in recording payments.

“These revenues due to the City are sorely needed in the face of looming budget cuts and the City should collect them immediately, especially in the case of developers who have already enjoyed significant tax breaks,” Comptroller Liu said. “We appreciate the Department of Finance’s willingness to act immediately on these matters.”

Initially, the DoF requested the Comptroller to postpone its scheduled audit, stating that it was conducting its own internal audit of the PILOT program. Later, DoF hampered the PILOTs audit and handed over limited information. In addition, in the midst of the Comptroller’s audit, the agency spent \$575,000 to hire an outside consultant to conduct a similar review of the PILOT program. However, the agency agreed with all of the recommendations issued in the Comptroller’s PILOT audit. “We have found the separate findings of your audit team to be helpful in re-organizing our PILOT unit’s work,” the agency said in its response.

Audit 1: Payments in Lieu of Taxes (PILOTs) program (\$785,730 not collected)

PILOTs are negotiated tax breaks in which the City agrees to waive property taxes in exchange for lower, regular payments from the property owner. In many cases, PILOTs are intended to encourage business growth and support low income housing development.

Chief among the findings of the audit:

- DoF failed to put 19 expired PILOTs back onto City property tax rolls, missing the collection of \$785,730 in the process.

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- DoF lacked proper controls and oversight to ensure it billed PILOTs recipients accurately.

The recommendations made by Comptroller Liu to the DoF include:

- Recoup the lost \$785,730 in real property taxes. The agency billed for payments after being notified of the audit's findings. Payments were due January 1, 2011.
- Ensure that properties whose PILOT agreements have expired are immediately returned to the City's property tax rolls.
- Ensure bills for properties within the PILOTs program are accurately calculated
- Ensure compliance with the City charter by providing information to audits conducted by the Comptroller's office.

The audit was conducted from December 17, 2009 to September 14, 2010 and examined PILOTs that existed or expired between July 1, 2006 and December 31, 2009.

#### Audit 2: Reliability and Accuracy of the Utility Tax (\$2.6 million)

The DoF received \$1.15 billion in Utility taxes from gas, electric, telephone and certain transportation companies from Fiscal Year 2007 to Fiscal Year 2009. The Comptroller's audit of the Utility tax data found that while the data was generally accurate and reliable, the DoF neglected to bill for \$2.1 million in outstanding payments and failed to record that an additional \$469,740 in outstanding bills was not paid.

Chief among the findings of the audit:

- The City was owed \$2.1 million in outstanding balances that the DoF failed to forward from one payment period to the next.
- The City lost \$469,740 in Utility tax revenue because DoF lacked a system to monitor or follow up when payments were not received.

The recommendations made by Comptroller Liu to the DoF include:

- Collect the outstanding taxes due to the City.
- Ensure that no filing periods lack payment returns and outstanding balances are carried forward.

The DoF agreed with the majority of the Audit Bureau's recommendations.

Comptroller Liu credited Deputy Comptroller for Audit H. Tina Kim and the Bureau of Audit for presenting the findings. The full reports are available at [www.comptroller.nyc.gov/audits](http://www.comptroller.nyc.gov/audits).

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