



Nicole R. Galloway, CPA  
Missouri State Auditor

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# FOLLOW-UP REPORT ON AUDIT FINDINGS

## Butler County Collector And Property Tax System

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November 2015  
Report No. 2015-103



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**NICOLE R. GALLOWAY, CPA**  
**Missouri State Auditor**

To the County Commission  
and  
County Collector  
Butler County Missouri

We have conducted follow-up work on audit report findings contained in Report No. 2015-025, *Butler County Collector and Property Tax System* (rated as Poor), issued in April 2015, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the county about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
  - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
  - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
  - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
  - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the county, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed documentation provided by county officials and held discussions with the officials to verify the status of implementation for the recommendations. Documentation provided by the county included bank statements and reconciliations, monthly settlements, receipt and disbursement records, and various other financial records. This report is a summary of the results of this follow-up work, which was substantially completed during August and September 2015.

A handwritten signature in black ink that reads "Nicole R. Galloway".

Nicole R. Galloway, CPA  
State Auditor

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# Butler County Collector and Property Tax System

## Follow-Up Report on Prior Audit Findings

### Status of Findings

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1. **Property Tax System Controls and Procedures** Significant weaknesses existed in controls and procedures over the property tax system.

1.1 **Tax system access** Access to the property tax system was not adequately restricted. The County Collector and office personnel could make changes to individual tax records, including processing additions and abatements, and could void receipt transactions after they were completed. Voided transactions were not periodically reviewed or compared to supporting documentation. Voided transactions were included in reports that could be generated from the property tax system including the daily report of collections or a refunds report. Personnel did not maintain adequate documentation to support voided transactions, other than copies of checks to support transactions voided due to insufficient funds.

**Recommendation** The County Commission and the County Clerk ensure property tax system access is restricted to only allow officials and personnel to access functions necessary for their duties. In addition, the County Collector should maintain documentation of all voided transactions and periodically review reports of voided transactions and compare report information to supporting documentation.

**Status** **Partially Implemented**

County officials indicated they contacted the property tax system vendor to make necessary system changes. The County Assessor and the County Collector indicated that all additions and abatements are now processed by the County Assessor's office. However, access to the property tax system has not been restricted to prevent County Collector's office staff from being able to process additions and abatements. In August 2015, a clerk in that office processed both an addition and an abatement at our request. The County Collector plans to contact the vendor to ensure the system is properly restricted.

The County Collector's office now maintains adequate supporting documentation for voided transactions. Each transaction that voids a prior transaction is printed and maintained. In addition, notes are entered into the property tax system to indicate the reason the transaction was voided. However, the County Collector does not compare a report of voided transactions to the supporting documentation and believes maintaining supporting documentation and adding notes in the property tax system is sufficient. We reviewed voided transactions processed in July 2015 and observed notes entered into the system and documentation printed and maintained for each transaction.

1.2 **Review of activity** Neither the County Clerk nor the County Commission adequately reviewed the financial activities of the County Collector. The account book and annual disbursement reconciliation maintained by the County Clerk was not



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complete, did not track all taxes charged to the County Collector, and did not agree to the annual settlements submitted by the County Collector. In addition, the County Clerk and County Commission did not adequately review and approve the County Collector's annual settlement.

**Recommendation**

The County Clerk maintain an accurate and complete account book with the County Collector. In addition, the County Clerk and the County Commission should use the account book to review the accuracy and completeness of the County Collector's annual settlements.

**Status**

**In Progress**

The County Clerk uses reports from the property tax system and addition and abatement reports approved by the County Commission to reconcile with the County Collector's monthly settlements. The County Clerk updated her account book to track forest crop land payments, payments in lieu of taxes, and railroad and utilities tax collections and plans to account for remaining unrecorded items when the County Collector provides the additional necessary reports. We reviewed the County Clerk's account book and the County Collector's monthly settlement for July 2015 and noted no discrepancies. In addition, the County Clerk and County Commission plan to use the County Clerk's account book to review the completeness and accuracy of the County Collector's annual settlements.

**1.3 Tax books**

The County Clerk did not prepare or verify the accuracy of the current or delinquent tax books prepared by the property tax system vendor.

**Recommendation**

The County Clerk prepare the current and delinquent tax books, or verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts.

**Status**

**Implemented**

The County Clerk now verifies that levies were correctly entered into the property tax system by the software vendor. The County Clerk haphazardly selects tax bills from the electronic tax books and recalculates the tax bills to ensure tax levies are accurate. In addition, the County Clerk maintains a record of all tax bills and the corresponding levies reviewed.

**1.4 Assessment withholdings**

The County Collector did not monitor or subsequently reduce the percentage used to calculate amounts withheld from tax collections for the Assessment Fund.

**Recommendation**

The County Collector recalculate assessment withholdings for current and prior years and disburse amounts owed to the taxing authorities from the Assessment Fund. The County Collector should also ensure the percentage



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to be deducted from property taxes for the Assessment Fund is properly reduced in future years once the \$75,000 limit is reached.

Status

**Partially Implemented**

The County Collector has not recalculated excess assessment withholdings for current and prior years to disburse the amounts to taxing authorities. The County Collector indicated she has not had time to review this issue, but plans to do so in the future and will monitor Assessment Fund withholdings to limit the amount withheld.

1.5 Collection of delinquent taxes

Former County Collector Fox's office did not apply tax payments to the oldest delinquent taxes first, in violation of state law.

Recommendation

The County Collector apply all property tax payments to the oldest taxes due as required by state law.

Status

**Implemented**

The County Collector now applies all property tax payments to the oldest taxes due first. We reviewed five delinquent tax payments received in July 2015 and noted all payments were applied to the oldest taxes due. We also observed the property tax system and noted the system now prevents taxes from being paid if older amounts are still due.

2. Drainage District and City Taxes

Significant weaknesses existed in handling of property tax collections for drainage districts and we identified issues with the payment of personal commissions for drainage district and city taxes.

2.1 Drainage district tax book preparation

Former County Collector Fox performed and billed drainage districts for services not allowed by state law.

Recommendation

The County Collector discontinue the practice of preparing tax books for drainage districts.

Status

**In Progress**

All drainage district taxes owed are maintained in the county's computerized property tax system. The County Collector indicated she plans to work with the County Assessor's office to segregate the preparation of printed drainage district tax books from the county's property tax system when the 2015 tax books are printed and no fees will be charged.

2.2 Drainage district commissions and fees

Former County Collector Fox charged and personally retained additional commissions and fees for delinquent drainage district tax collections that were not authorized by state law.



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**Recommendation** The County Collector discontinue assessing commissions and fees not authorized by state law.

**Status** **Implemented**  
The County Collector no longer assesses commissions and fees not authorized by state law. The property tax system vendor has updated the system to prevent charging clerk fees and collector commissions on drainage district taxes. We reviewed the drainage district collection reports from July 2015 and noted no additional fees and commissions were assessed.

**2.3 Drainage district distributions** The County Collector did not have adequate procedures in place to ensure drainage district collections were fully disbursed and ensure disbursements were processed timely.

**Recommendation** The County Collector improve controls and procedures to ensure completeness of the tax distributions to the drainage districts and ensure all drainage district tax collections are distributed timely.

**Status** **Implemented**  
The County Collector now distributes all drainage district collections monthly. We reviewed the July 2015 drainage district collections and distributions documentation and noted distributions were complete and timely. In addition, the County Collector opened a separate bank account to account for drainage district collections and two signatures are required for all disbursements from the account.

**2.4 Payment of personal commissions** Additional commissions may have been owed to former County Collector Fox's estate, but the county had not determined the proper disposition of those monies. Additionally, County Collector Michel declined to accept personal commissions for collection of drainage district taxes and had instead withheld and transmitted those commissions to the County Treasurer, in violation of state law.

**Recommendation** The County Clerk and County Commission work with the County Collector to determine the proper disposition of city and drainage commissions earned by former County Collector Fox. Additionally, the County Collector and County Commission should comply with state law regarding payment of personal commissions.

**Status** **Implemented**  
The County Clerk and County Commission have properly distributed commissions to the estate of former County Collector Fox and County Collector Michel. Based on the guidance received from the Prosecuting



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Attorney, the County Commission disbursed drainage district commissions of \$174 held by the County Treasurer to former County Collector Fox's estate and refunded commissions of \$9,212 to County Collector Michel in April 2015. City commissions earned by former County Collector Fox of \$806 were paid by the City of Poplar Bluff to the former County Collector's Fox's estate in May 2015. The current County Collector and County Commission indicated they plan to comply with all state laws regarding the payment of personal commissions. We reviewed drainage district commissions withheld by the County Collector for July 2015 drainage district collections and noted commissions were appropriately withheld by the County Collector. The County Collector indicated she will disburse the commissions to herself and not to the County Treasurer.

3. County Collector  
Controls and Procedures

Weaknesses existed in the County Collector's controls and procedures.

3.1 Partial payments

The County Collector did not deposit most monies received for partial payments, did not always issue receipt slips for partial payments timely, did not always post the partial payments to the partial payment ledger timely, and did not periodically reconcile the partial payment ledger to amounts on hand or in the bank account.

Recommendation

The County Collector implement procedures to ensure partial payments are receipted, posted to the ledger, and deposited timely. Additionally, the County Collector should periodically reconcile the partial payment ledger to total partial payments on hand or held in the bank account.

Status

**Implemented**

The current County Collector no longer accepts partial payments from taxpayers. Office staff deposited all partial payments on hand and are currently refunding this money. Office staff sent letters to notify taxpayers of the need to claim funds, and have contacted individuals to ensure all partial payments are returned to the proper owners. We reviewed the July 2015 bank statement, check register, and partial payments ledger for the bank account used to hold partial payments and noted the reconciled cash balance agreed with the ledger.

3.2 Liabilities

The County Collector did not prepare a monthly list of liabilities for the main bank account and did not compare the reconciled bank balances to existing liabilities for the other 2 bank accounts.

Recommendation

The County Collector prepare monthly lists of liabilities, reconcile the lists to the reconciled bank balance, and promptly investigate any differences.





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Status

**Implemented**

The County Collector now prepares monthly lists of liabilities for all bank accounts and reconciles the lists to the reconciled bank balances. We reviewed the July 2015 bank statements, bank reconciliations, and lists of liabilities for all office bank accounts and noted liabilities were reconciled to the reconciled bank balances and differences investigated.

3.3 Segregation of duties

The County Collector had not adequately segregated accounting duties and independent or supervisory reviews of accounting records were not performed.

Recommendation

The County Collector segregate accounting duties to the extent possible or ensure adequate independent or supervisory review of accounting and bank records are performed and documented.

Status

**Implemented**

Accounting duties within the County Collector's office are now adequately segregated. One office clerk is responsible for performing monthly bank reconciliations and another clerk prepares the daily deposit. The County Collector is responsible for all monthly reporting.

3.4 Protested interest

Former County Collector Fox did not distribute the applicable amount of interest earned on protested taxes to the taxing authorities upon resolution of the taxes and also did not maintain documentation supporting interest distributed to a taxpayer upon resolution of protested taxes.

Recommendation

The County Collector adopt procedures to ensure future interest allocations and distributions are accurate and comply with state law.

Status

**In Progress**

No protested taxes have been refunded or applied by the County Collector's office since issuance of the audit report in April 2015. The County Collector indicated current procedures include tracking interest in total for all protested taxes held. The County Collector indicated additional procedures will be developed to properly allocate interest once a payout is necessary.