



Office of Missouri State Auditor
Nicole Galloway, CPA

FOLLOW-UP REPORT ON AUDIT FINDINGS

**Wright County Collector and
Property Tax System**

Report No. 2017-079

August 2017

auditor.mo.gov

Wright County Collector and Property Tax System

Follow-Up Report on Audit Findings

Table of Contents

State Auditor's Letter	2
------------------------	---

Status of Findings*

1.	Unsupported Recorded Transactions and Questionable Transactions	3
2.	City Commissions.....	5
3.1	County Collector's Controls and Procedures - Receipt dates and transaction number sequence	7
3.2	County Collector's Controls and Procedures - Receipting, recording, and depositing	7
3.3	County Collector's Controls and Procedures - Bank reconciliations	8
3.4	County Collector's Controls and Procedures - Liabilities.....	9
3.7	County Collector's Controls and Procedures - County Collector duties	10
3.8	County Collector's Controls and Procedures - Record retention	10
4.	Property Tax System Controls and Procedures	11

*Includes selected findings



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the County Commission
and
County Collector
Wright County, Missouri

We have conducted follow-up work on certain audit report findings contained in Report No. 2016-132, *Wright County Collector and Property Tax System* (rated as Poor), issued in December 2016, 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 has no specific plans to implement the recommendation.

As part of the AFTER work conducted, we reviewed documentation provided by county officials and held discussions with officials to verify the status of implementation for the recommendations. Documentation provided by the county included financial records and other pertinent documents. This report is a summary of the results of this follow-up work, which was substantially completed during June 2017.

Nicole R. Galloway, CPA
State Auditor

Wright County Collector and Property Tax System

Follow-Up Report on Audit Findings

Status of Findings

1. **Unsupported Recorded Transactions and Questionable Transactions** Unsupported recorded transactions and questionable transactions were identified. In July 2016, the Wright County Collector pled guilty to forgery charges and resigned her position.

1.1 **Unsupported recorded transactions** The County Collector recorded property tax payments in the computerized property tax system for herself and her family members totaling \$2,686. These tax payments could not be traced to a deposit, and the County Collector nor her family members could provide canceled checks or other documentation as proof of payment or that the monies were deposited.

As a result of the County Collector's son's taxes erroneously shown as being paid, her son's property was not included in the tax sales conducted in August 2013, 2014, and 2015, for failure to pay property taxes in accordance with state law.

Recommendation

The current County Collector and the County Commission work with law enforcement to investigate the unsupported recorded tax payments, seek reimbursement of any unsupported payments, or adjust the property tax system to show current amounts due. The current County Collector should also ensure any real properties qualifying for sale are sold at the next tax sale. The County Clerk and County Commission should ensure an independent review of the tax accounts of the County Collector and her family members is performed and documented.

Status

In Progress

The County Collector has adjusted the property tax system to show current amounts due and has sent adjusted tax bills to the former County Collector and her family members. The County Collector and County Commission are working with law enforcement and are waiting on the outcome of the criminal investigation before taking any further action related to the unsupported payments.

In May 2017, owners of real property with 3 years of unpaid real property taxes (including the former County Collector and her son) were informed in writing that their properties were eligible for a land tax sale to be held on August 28, 2017, unless real estate property taxes due for these years were paid in full. The former County Collector paid her 2012, 2013, and 2014 real estate taxes on June 26, 2017, but still owes her 2015 and 2016 real estate taxes. No payments had been made on the former County Collector son's past due real estate tax account as of August 1, 2017, and the County Collector intends to include the son's real estate property in the August tax sale if sufficient tax payments have not been made.



Wright County Collector and Property Tax System
Follow-up Report on Audit Findings
Status of Findings

The County Collector implemented procedures requiring the Deputy County Collector to process payments received from the County Collector and her family, and requiring the County Collector to process payments received from the Deputy County Collector and her family. In addition, the County Commission and County Clerk implemented procedures to perform a documented review of these payments. We reviewed documentation of these new collection and review procedures for the tax payments received from the County Collector and the Deputy County Collector in November and December 2016, and no problems were identified.

1.2 Property tax system changes

The County Collector changed the month/year used for the penalty, commissions and fee calculation in the property tax system for herself and her son from the current month/year to a previous month/year. As a result, penalties, commissions, and fees paid, if any, were less than the amount due based on the actual date of payment for her delinquent tax account and her son's delinquent tax account. The County Collector or the former Deputy County Collector also changed the month/year of the penalty, commissions, and fee calculation in the property tax system of other taxpayers accounts, including a neighbor, and did not assess penalties, commissions, and fees due on their delinquent taxes. During the period March 1, 2016, through July 26, 2016, and during the year ended February 29, 2016, the County Collector or the former Deputy County Collector changed the month/year in the property tax system used to calculate penalties, commissions, and fees, from 2 months to 58 months prior to the date of the actual payment on 127 tax bills which reduced penalties, commissions, and fees owed by \$3,788.

Recommendation

The current County Collector and the County Commission work with law enforcement to investigate the changes made to the property tax system and consider seeking reimbursement of unpaid penalties, commissions, and fees. The County Clerk and County Commission should ensure a report of changes made to the property tax system is generated and an independent review is performed and documented.

Status

Partially Implemented

The County Collector indicated she reviewed the 127 tax accounts for which the month/year used for the penalty, commissions and fee calculation was changed in the property tax system by the former County Collector or the former Deputy County Collector and found no documentation was retained to support those changes. The County Collector and County Commission are working with law enforcement and are waiting on the outcome of the criminal investigation before taking any further action related to the changes made to the property tax system.

The programmer has the capability to generate a report of the changes made to the property tax system; however, the County Clerk and County



Wright County Collector and Property Tax System
Follow-up Report on Audit Findings
Status of Findings

Commission have not requested this report be generated or performed and documented an independent review of changes made to the month/year of the penalty, commissions and fee calculation in the property tax system by the County Collector. The County Collector, County Clerk, and County Commission indicated they intend to work with the programmer to modify their system access to allow them to generate monthly reports of these changes and the County Clerk and County Commission will document their independent review of these reports.

1.3 Non-assessment waiver The County Collector did not follow the established county procedures to support and document the issuance of a non-assessment waiver on July 15, 2016, to her daughter for her 2015 personal property taxes. Documentation was not on file in the offices of the County Assessor or County Collector supporting the issuance of this non-assessment waiver.

Recommendation The current County Collector and the County Clerk and County Commission should ensure an independent review of non-assessment waivers is performed and documented.

Status **Implemented**
The County Clerk and County Commission are performing and documenting an independent review of non-assessment waivers monthly. We reviewed the County Assessor's office listing of non-assessment waivers and waivers issued by the County Collector for April 2017, and no discrepancies were identified. Also, the County Clerk and County Commission's review of these records was documented.

2. City Commissions Commissions withheld by the County Collector from city collections were incorrectly calculated, and some of these commissions were over/under withheld, and personally retained by the County Collector. In addition, written agreements with the cities had not been updated.

2.1 City contracts and related commissions The County Collector was not calculating and withholding commissions from city taxes in compliance with city contracts and had not updated contracts with each of the cities since 2005 or 2006.

- The County Collector withheld 3 percent instead of 1.5 percent on the City of Norwood current and back (delinquent) taxes for commissions allowed to be personally retained by the County Collector as provided for in the contract.
- The County Collector did not submit bills for payment of personal commissions due from amounts withheld from cities for February, March, April, May, and July 2016.



Wright County Collector and Property Tax System
Follow-up Report on Audit Findings
Status of Findings

- The County Collector withheld 3 percent on both current and delinquent taxes of the City of Norwood instead of 2 percent on current taxes and 4 percent on delinquent taxes for commissions to be retained by the county as provided for in the contract.
- The County Collector withheld 2 percent on delinquent taxes of the City of Hartville and the City of Mansfield instead of 4 percent on delinquent taxes as provided for in the contract.

Recommendation

The current County Collector and the County Commission seek reimbursement from the former County Collector for the net amount of commissions over withheld and personally retained, and recalculate city tax commissions withheld and distributed and correct distributions. In addition, the current County Collector should ensure future commission calculations are accurate, and work with the County Commission to obtain current written agreements with the cities for tax collections.

Status

In Progress

The County Collector has recalculated city tax commissions previously withheld, but the County Commission and County Collector have not corrected past distributions due to/from the cities. The County Collector and County Commission are working with law enforcement. They are waiting on the outcome of the criminal investigation before taking any further action to seek reimbursement and correct past distributions.

The County Collector now calculates the amount of commissions due from the cities monthly, includes these amounts on the monthly settlement that is provided to the County Clerk and County Commission for their review, and sends each city a bill for the amount due. We reviewed the April 2017 bills and monthly settlement and identified no problems with the County Collector's procedures for calculating city tax commissions. In addition, new written agreements with the cities for tax collections were obtained in September and October 2016.

2.2 Railroad and utility taxes and payment in lieu of taxes

The County Collector improperly withheld and personally retained commissions on railroad and utility taxes and payments in lieu of taxes (PILT) collections pertaining to cities.

Recommendation

The current County Collector and the County Commission seek reimbursement from the former County Collector for commissions improperly withheld and personally retained, and reimburse the cities for commissions improperly withheld.



Wright County Collector and Property Tax System
Follow-up Report on Audit Findings
Status of Findings

Status

In Progress

The County Collector has recalculated city tax commissions previously withheld from railroad and utility taxes and payment in lieu of taxes. The County Collector and County Commission are working with law enforcement and are waiting on the outcome of the criminal investigation before taking any further action.

3.1 County Collector's
Controls and
Procedures - Receipt
dates and transaction
number sequence

The County Collector's office did not always use the actual date of receipt when recording payments and did not account for the numerical sequence of transaction (receipt) numbers assigned by the computerized property tax system.

The computerized property tax system sequentially assigned a transaction number for payments received by the County Collector's office. However, the system allowed users to backdate payments posted in the system, resulting in transaction numbers being out of order.

Recommendation

The current County Collector work with the computer software vendor to establish controls to account for the numerical sequence of transaction numbers assigned by the computerized property tax system and maintain an audit trail of changes made in the property tax system.

Status

In Progress

The property tax system still allows users to backdate payments posted in the system; however, the County Collector and programmer indicated they have only backdated transactions when transactions needed to be reversed in the property tax system. A monthly reversal report is generated by the County Collector and reviewed by the County Commission and County Clerk. All other tax payments (excluding reversals) are now entered into the system on the date of receipt. The County Collector generates transaction reports daily to reconcile to deposits, but does not account for the numerical sequence of transaction numbers. The County Collector indicated she will immediately implement procedures to account for the numerical sequence of transaction numbers.

3.2 County Collector's
Controls and
Procedures - Receipting,
recording, and
depositing

The County Collector did not have adequate procedures for receipting, recording, and depositing monies.

- Manual receipt slips were not issued for bankruptcy payments and some partial payments.
- Manual receipt slips issued for property tax payments collected on behalf of other counties did not indicate the amount collected or the method of payment. These tax payments were also not deposited, but



Wright County Collector and Property Tax System
Follow-up Report on Audit Findings
Status of Findings

mailed/transmitted to the County Collector's office in the applicable county and documentation of the transmittal was not retained.

- Manual receipt slips were not reconciled with payments posted to the property tax system, the partial payment log, or to transmittals to other counties to ensure all monies received were properly recorded and distributed.
- The County Collector did not always record payments to the correct taxpayer's account and did not make adequate corrections to reflect amounts still owed by taxpayers.
- Monies received were not always deposited intact or timely.

Recommendation

The current County Collector issue receipt slips for all monies received, record the amount and the method of payment for taxes received on behalf of other counties and document the transmittal of those monies, reconcile manual receipt slips issued to the computerized accounting system, ensure tax payments are accurately recorded and corrections are properly made, and deposit monies intact and timely.

Status

Implemented

Property tax system-generated receipt slips, which require the method of payment to be recorded, are now issued for all monies received, and any bankruptcy payments received will be recorded in the property tax system in the future. The County Collector's office no longer issues manual receipt slips, accepts partial payments, or collects property tax payments on behalf of other counties. The County Collector ensures tax payments are accurately recorded in the property tax system by reconciling tax payments (including the method of payment) to deposits, and deposits are made daily and intact. We reviewed the tax payments recorded in the property tax system for April 28, 2017, and May 1, 2017, and compared the details of those payments to the deposits made on April 28, 2017, and May 1, 2017, and no problems were identified.

3.3 County Collector's Controls and Procedures - Bank reconciliations

Bank reconciliations prepared by the County Collector for her main bank account were not complete and accurate and a running book balance was not maintained for the partial payment/bankruptcy bank account. In addition, the County Collector did not timely prepare bank reconciliations for the main bank account and her other 2 bank accounts. Also, the County Collector transferred monies between the main bank account and partial payment/bankruptcy bank account in error and did not subsequently correct these errors.



Wright County Collector and Property Tax System
Follow-up Report on Audit Findings
Status of Findings

Recommendation

The current County Collector prepare accurate bank reconciliations, transfer monies between accounts timely, and maintain running book balances. Any errors should be investigated and promptly resolved.

Status

Implemented

The main bank account used by the former County Collector did not contain any monies as of June 30, 2017. The County Collector indicated she plans to close this account at the end of August 2017. The County Collector opened a new main bank account in September 2016 and prepares bank reconciliations monthly. We reviewed the County Collector's April 2017 main account bank reconciliation and identified no problems.

The County Collector's office no longer accepts partial payments, eliminating the need for a partial payment bank account and a running book balance. The former County Collector's surtax bank account was closed in September 2016, and the County Collector now handles surtax through her main bank account. The County Collector indicated she plans to open new bank accounts when she receives protested or bankruptcy taxes. The County Collector indicated there have been few transfers needed between bank accounts, and those transfers have been made timely.

**3.4 County Collector's
Controls and
Procedures - Liabilities**

The list of liabilities prepared by the County Collector for her partial payment/bankruptcy bank account was not complete and accurate. The February 2016 list of liabilities prepared by the County Collector for the partial payment/bankruptcy bank account also included unsupported reconciling items.

Recommendation

The current County Collector prepare accurate lists of liabilities monthly for the partial payment/bankruptcy account and agree the reconciled bank balance to the liabilities list. Any differences should be investigated and promptly resolved.

Status

In Progress

The County Collector no longer accepts partial payments and is in the process of identifying the remaining monies in the former County Collector's partial payment/bankruptcy bank account and resolving differences between the account and partial payments list. The account balance was \$6,849 as of June 30, 2017, while the related list of liabilities (partial payments) totaled \$7,169. In July 2017, the County Collector sent letters to each taxpayer included on the partial payments list, requesting they provide a paid tax receipt for any partial payment of taxes made to the former County Collector's office. She also plans to determine whether any of the partial payments listed were transferred to the main bank account when full payment of taxes were made. The County Collector indicated if



Wright County Collector and Property Tax System
Follow-up Report on Audit Findings
Status of Findings

any monies remain unidentified in the bank account after these follow up efforts are complete, she will disburse them in accordance with state law. The County Collector plans to complete this work and close this account by the end of September 2017.

3.7 County Collector's
Controls and
Procedures - County
Collector duties

The County Collector did not take steps to oversee day to day operations of her office and did not timely perform her assigned duties, which resulted in a lack of segregation of duties. During our audit (April to July 2016), the County Collector was frequently not at the office.

The County Collector was responsible for performing the duties of receiving, recording, and depositing receipts, reviewing employee deposits, reconciling bank accounts, and preparing monthly settlements and annual settlements. Many of these duties require a physical presence in the office in order to access the property tax system. The County Collector's absence resulted in inadequate performance of these various duties due to lack of adequate staffing and oversight.

Recommendation

The current County Collector adequately perform or delegate and oversee the duties of the office, and ensure independent or supervisory reviews of accounting and bank records are performed and documented.

Status

Implemented

Due to the limited number of staff, the County Collector performs all of the financial duties of the office, including receipting and depositing monies collected, preparing and disbursing checks, reconciling bank accounts, and preparing/generating monthly and annual reports. The Deputy County Collector also receipts and deposits monies. The County Clerk and County Commission now perform and document their review of the monthly settlement, daily balance sheet, refund report, tourism tax report, monthly abstract report, paid license report, and reversal report (if applicable). We reviewed these reports for June 2017, and the reviews performed by the County Collector, County Clerk, and County Commission were documented. The County Clerk indicated the County Collector has been regularly present in the office.

3.8 County Collector's
Controls and
Procedures - Record
retention

Some daily abstracts, deposit information, and bank statements could not be located in the County Collector's office. Bank statements were obtained from the bank and transaction (payment) information was obtained from the property tax system vendor.

Recommendation

The current County Collector retain records in accordance with state law.



Wright County Collector and Property Tax System
Follow-up Report on Audit Findings
Status of Findings

Status	Implemented
	The County Collector is retaining records in accordance with state law. All information requested during our follow-up review was retained and provided.
4. Property Tax System Controls and Procedures	Controls and procedures over the property tax system needed improvement.
4.1 Annual settlements	The County Collector's annual settlements were not filed or not filed timely and were not accurate. The County Collector did not prepare and file an annual settlement for the year ended February 29, 2016, with the County Commission. The annual settlement for the year ended February 28, 2015, was not filed with the County Commission until June 8, 2015, and was not complete and accurate.
Recommendation	The current County Collector file complete and accurate annual settlements timely.
Status	In Progress
	The County Collector filed an annual settlement for the year ended February 28, 2017, in March 2017. We reviewed the annual settlement to ensure personal property tax abatements and outlawed taxes were accurately recorded. The County Collector indicated she plans to complete the annual settlement for the year ended February 29, 2016, as time allows.
4.2 Review of property taxes	Neither the County Clerk nor the County Commission adequately reviewed the financial activities of the County Collector. The County Clerk did not maintain an account book or other records summarizing property tax charges, transactions, and changes. In addition, the County Clerk and County Commission did not perform procedures to verify the accuracy and completeness of the County Collector's annual settlements.
Recommendation	The County Clerk maintain an 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	Implemented
	The County Clerk now maintains an account book with the County Collector. The County Clerk and the County Commission indicated they used the account book to assist in their review of the accuracy and completeness of the County Collector's annual settlement for the year ended February 28, 2017.



Wright County Collector and Property Tax System
Follow-up Report on Audit Findings
Status of Findings

4.3 Back (delinquent) tax
aggregate abstracts

The County Clerk did not prepare the back (delinquent) tax aggregate abstracts timely.

Recommendation

The County Clerk prepare and timely file delinquent tax aggregate abstracts with the Department of Revenue (DOR) and State Tax Commission (STC).

Status

Implemented

The County Clerk timely prepared and filed the 2017 back (delinquent) tax aggregate abstract (2016 and prior tax years) with the DOR and STC upon completion of the tax books in March 2017.

4.4 Back (delinquent) tax
books

The 2015 back (delinquent) real property tax books (2014 and prior tax years) were not accurate and contained delinquent real property taxes for the 2002 through 2010 tax years totaling \$59,853. The County Clerk indicated these taxes were associated with mobile homes and should have been abated. In addition, the County Clerk did not include delinquent real property taxes for the 2002 through 2009 tax years on her aggregate abstracts and the County Collector did not include these delinquent taxes on her annual settlement.

Recommendation

The County Clerk and County Commission ensure the delinquent tax books are accurate.

Status

Implemented

The County Collector and the County Clerk removed the delinquent real property taxes for the 2002 through 2010 tax years from the delinquent real property tax books. Delinquent real property tax amounts recorded on the County Clerk's aggregate abstracts agreed to the delinquent real property tax books and the County Collector's annual settlement for the year ended February 28, 2017.

4.5 Collection of delinquent
taxes

The County Collector did not always apply tax payments to the oldest delinquent taxes first, in violation of state law. The property tax system programmer indicated there is a control in the system that requires tax payments be recorded to the oldest delinquent tax account first; however, the County Collector would contact her to request turning off the control. The programmer indicated she would not always remember to turn the control back on after such a request occurred.

Recommendation

The current County Collector apply all property tax payments to the oldest taxes due as required by state law and work with the computer programmer to ensure the property tax system applies tax payments received to a taxpayer's oldest taxes due as required by state law.



Wright County Collector and Property Tax System
Follow-up Report on Audit Findings
Status of Findings

Status

Implemented

We reviewed the May 1, 2017, daily abstract, and the County Collector applied all property tax payments received to the oldest taxes due. The County Collector indicated she will continue to apply property taxes received to the oldest taxes due, as appropriate. The programmer indicated she still has the ability to turn this control off, but the County Collector has not requested her to do so nor has she turned the control off during 2017.

4.6 Additions and abatements

Controls over property tax additions and abatements were not adequate.

Additions

The County Commission did not review and approve additions to property assessments. The County Commission did not receive the manual forms prepared by the County Assessor's office, the orders of additions prepared by the County Clerk's office, or reports of actual additions made to the property tax system. Therefore, an independent comparison of property assessment changes made by the County Assessor to the related changes in the property tax system made by the County Clerk could not be performed by the County Commission.

Abatements

A comparison of the individual abatements reviewed and approved by the County Clerk and County Commission to the actual changes made in the property tax system by the County Collector was not performed.

Recommendation

The County Clerk and the County Commission ensure a comparison of approved additions and abatements to changes made in the computer system is performed and restrict access rights so the County Collector cannot make changes to the tax book system.

Status

In Progress

The County Clerk and County Commission generated and reviewed a report of actual additions made in the property tax system for the months of May and June 2017, but did not compare these reports to the additions information prepared by the County Assessor's office. In addition, the County Clerk and County Commission had not documented a comparison of the approved abatements to a report of actual abatements made in the property tax system. The County Clerk and County Commission indicated they plan to document a review of addition and abatement information to the actual changes made in the property tax system.

The County Clerk, County Collector, and County Commission worked with the computer programmer to restrict access rights so the County Collector cannot make changes to the tax book system. The County Clerk now makes changes (additions and abatements) in the property tax system.



Wright County Collector and Property Tax System
Follow-up Report on Audit Findings
Status of Findings

4.7 Reversals

An independent review of reversal transactions made in the property tax system was not performed. A reversal transaction was only assigned a transaction number when it was performed before the related collection session closed. Reversal transactions occurring after the collection session closed could only be identified if a reversal transaction report was generated from the property tax system. No one generated and reviewed these reports.

Recommendation

The current County Collector ensure an independent documented review of reversals is performed.

Status

Implemented

The County Collector worked with the computer programmer to have all reversals assigned a unique transaction number. When reversals are performed, a reversal report is generated by the County Collector and a review is performed and documented by the County Clerk and County Commission monthly. We reviewed the June 2017 reversal report, and confirmed the County Clerk and County Commission had performed a documented review.