



Office of Missouri State Auditor
Nicole Galloway, CPA

**Crawford County Collector and
Property Tax System**



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Crawford County Collector and Property Tax System

Property Tax System Controls and Procedures	Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector. The County Clerk does not prepare or verify the accuracy of the current or delinquent tax books. The County Clerk did not prepare the land and personal or back (delinquent) tax aggregate abstracts timely. The County Clerk and the County Commission do not adequately review changes (e.g., additions and abatements) entered into the County Collector's property tax system and our review identified discrepancies with additions and abatements. The county has not adequately restricted access to the property tax system.
County Collector's Receipt Controls	The County Collector does not account for the numerical sequence of receipt slip numbers assigned by the property tax system.
Tax Maintenance Fund	Some disbursements from the county's Tax Maintenance Fund were not in compliance with uses allowed by state law and/or were not a prudent use of Tax Maintenance Fund monies. The County Collector did not provide all required budget information to the county budget officer for the Tax Maintenance Fund.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

Crawford County Collector and Property Tax System

Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory Report - State Auditor's Findings	1. Property Tax System Controls and Procedures4 2. County Collector's Receipt Controls7 3. Tax Maintenance Fund8
---	--

Organization and Statistical Information	11
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NICOLE GALLOWAY, CPA

Missouri State Auditor

County Commission
and
County Collector
Crawford County, Missouri

We have audited the County Collector and Property Tax System of Crawford County. Section 52.150, RSMo, requires the State Auditor to audit the office of the County Collector after being notified of a vacancy in that office. On March 15, 2018, a vacancy occurred in the office of the County Collector of Crawford County. A successor was appointed and sworn into office effective April 24, 2018. The scope of our audit included, but was not necessarily limited to, the period of March 1, 2018, to March 15, 2018, and the year ended February 28, 2018. The objectives of our audit were to:

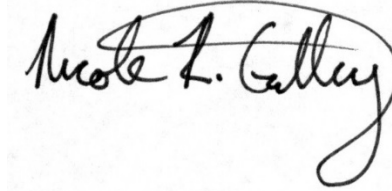
1. Evaluate the county's internal controls over significant property tax functions.
2. Evaluate the county's compliance with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the County Collector and county management and was not subjected to the procedures applied in our audit of the County Collector and Property Tax System.

Section 52.150, RSMo, requires the County Commission to accept the State Auditor's report and, if necessary, to take certain specific actions if the State Auditor finds any monies owed to the county or the former County Collector. For the areas audited, we identified (1) deficiencies in internal controls, and (2) noncompliance with legal provisions. The accompanying Management Advisory Report presents our findings arising from our audit of the County Collector and Property Tax System of Crawford County.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping flourish at the end of the name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

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Crawford County Collector and Property Tax System Management Advisory Report State Auditor's Findings

1. Property Tax System Controls and Procedures

Controls and procedures over the property tax system need improvement. Property taxes and other monies collected by the County Collector's office totaled approximately \$15.8 million during the year ended February 28, 2018.

1.1 Review of activity

Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector. The County Clerk does not maintain an account book or other records summarizing property tax charges, transactions, and changes. In addition, the County Clerk and the County Commission do not perform procedures to verify the accuracy and completeness of the County Collector's annual settlements. As a result, there is an increased risk of loss, theft, or misuse of property tax monies going undetected, and less assurance the annual settlements are complete and accurate.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records that summarize all taxes charged to the County Collector, monthly collections, delinquent credits, additions and abatement, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure taxes charged and credited to the County Collector are complete and accurate and could also be used by the County Clerk and the County Commission to verify the County Collector's annual settlements. In addition, Section 139.190, RSMo, requires the County Commission to carefully and fully examine the annual settlement of the County Collector. Such procedures are intended to establish checks and balances related to the collection of property taxes.

1.2 Tax books

The County Clerk does not prepare or verify the accuracy of the current or delinquent tax books. The county's property tax system vendor prepares the current tax books based on assessed valuations and tax levies provided by the County Assessor and the County Clerk. The County Collector prepares the delinquent tax books by combining the uncollected taxes from the current tax year and uncollected taxes from all prior years. The County Clerk does not review the tax books, which should include verification of individual entries in the tax books and recalculating tax book totals and charges. Failure to prepare and/or review the tax books and test individual tax statement computations may result in errors or irregularities going undetected.

Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the current and delinquent tax books and charge the County Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, the accuracy of the tax books should be verified and approval of the tax book amounts to be charged to the County Collector should be documented.



Crawford County Collector and Property Tax System
Management Advisory Report - State Auditor's Findings

1.3 Aggregate abstracts

The County Clerk did not prepare the land and personal or back (delinquent) tax aggregate abstracts timely. The 2017 land and personal aggregate abstract was not prepared until June 13, 2018, although the information needed to prepare this aggregate abstract was available at the beginning of November 2017. The 2017 back tax aggregate abstract was not prepared until December 5, 2018, and the 2016 back tax aggregate abstract was not prepared. The information needed to prepare these back tax aggregate abstracts were available at the beginning of March 2017 and 2018.

Section 137.295, RSMo, requires the County Clerk to prepare these reports and forward them to the Department of Revenue and the State Tax Commission upon completion of current and delinquent tax books.

1.4 Additions and abatements

The County Clerk and the County Commission do not adequately review changes (e.g., additions and abatements) entered into the County Collector's property tax system and our review identified discrepancies with additions and abatements. The County Assessor initiates changes to the County Collector's property tax system records by importing individual tax record changes from the County Assessor's assessment system to the property tax system. However, the County Assessor's office does not provide documentation of these changes made in the assessment system to the County Collector's office so the County Collector's office can ensure these changes were imported correctly into the property tax system.

In addition, the County Commission does not review and approve actual changes made to property tax records in the property tax system. Instead, the County Assessor submits a monthly report of changes made to property tax records in the assessment system for the County Commission's review and approval. Neither the County Clerk nor the County Commission compare the monthly report of changes prepared by the assessment system to the actual changes made in the property tax system. As a result, changes to the amount of taxes the County Collector is charged with collecting are not properly monitored and errors or irregularities could go undetected.

Our review of monthly additions and abatements records from both the assessment system and the property tax system for the months of March 2017 and February 2018 identified discrepancies in assessed valuations between the two systems. For example, according to assessment system reports for February 2018, the County Assessor's office processed an addition for a vehicle not previously reported by the taxpayer, thus, increasing the assessed valuation for a taxpayer for tax years 2015, 2016, and 2017. However, the vehicle addition for the 2016 tax year did not get imported into the property tax system and 2016 property taxes were not assessed or collected on this vehicle.



Crawford County Collector and Property Tax System Management Advisory Report - State Auditor's Findings

Sections 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making corrections to the tax books with the approval of the County Commission. If it is not feasible for the County Clerk to make corrections to the tax books, an independent reconciliation of approved changes to actual corrections made to the property tax system would help to ensure changes are proper.

1.5 Tax system access

The county has not adequately restricted access to the property tax system. The County Collector has access rights allowing her to enter additions and abatements into the system. In addition, the County Collector and her staff have access to void receipt transactions after they are completed. The property tax system does not provide a report of transactions deleted and documentation was not always maintained for voided transactions. As a result, there is an increased risk of unsupported or unauthorized changes being made to the property tax system after property taxes are approved for the year. Because the County Collector is responsible for collecting tax payments, good internal controls require the County Collector not have access rights allowing alteration or deletion of tax rates, assessed valuations, and property tax billing information.

To prevent unauthorized changes to the property tax records, as well as to reduce the risk of loss, theft, misuse, or errors occurring and going undetected, access should be limited based on user needs. Unrestricted access can result in the alteration of data files and programs. If transactions needed to be voided, documentation should be retained to support the voided transactions.

Similar conditions previously reported

A similar condition to section 1.1 was noted in our 3 prior county audit reports, a similar condition to section 1.2 was noted in our prior county audit report, and a similar condition to section 1.5 was noted in our 2 prior county audit reports.

Recommendations

- 1.1 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.
- 1.2 The County Clerk prepare the current and delinquent tax books, or at a minimum verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts to be collected. Procedures performed should be documented.
- 1.3 The County Clerk prepare and timely file current and delinquent tax aggregate abstracts with the Department of Revenue and the State Tax Commission.



Crawford County Collector and Property Tax System
Management Advisory Report - State Auditor's Findings

- 1.4 The County Clerk and the County Commission ensure changes made to the property tax system are supported by court orders approved by the County Commission and an independent reconciliation of additions and abatements between the County Assessor's system and the County Collector's property tax system is performed.
- 1.5 The County Collector work with the County Commission to ensure property tax system access is limited to only what is needed for users to perform their job duties and responsibilities.

Auditee's Response

The County Commission and County Clerk provided the following response:

The County Commission and the County Clerk recognize the issues presented by the State Auditor's report, and will give each issue the attention they deem necessary.

The County Collector and County Collector Elect (former County Collector) provided the following response:

- 1.5 *We agree with the recommendation that access should be limited to any program in the property tax system that allows adjustments to taxpayer records. However, as long as the County Assessor's office and the County Collector's office utilize different systems, the County Collector's office will need access to the assessment module within the property tax system to ensure adjustments to real and/or personal property records initiated by the County Assessor's office have been updated and/or imported accurately into the property tax system. Additionally, in order for our office to provide the County Clerk with a monthly report of adjustments made in the property tax system, we must have access to the assessment module within the property tax system to run this report. The County Collector cannot limit the number of employees who can post changes made by the County Assessor's office and imported to the property tax system due to the limited number of employees in the office.*

2. County Collector's Receipt Controls

The County Collector does not account for the numerical sequence of receipt slip numbers assigned by the property tax system. The 4 collection stations (cash drawers) share the same sequence of receipt slip numbers; therefore, receipt slip numbers are not in numerical sequence on each station's daily cash report. In addition, due to system limitations, a comprehensive report of all receipt slip numbers assigned cannot be printed. No one in the County Collector's office accounts for the numerical sequence of the receipt slip numbers. This control weakness allows for possible manipulation of receipt data.



Crawford County Collector and Property Tax System
Management Advisory Report - State Auditor's Findings

To ensure all monies received are properly recorded and deposited, and to reduce the risk of loss, theft, or misuse of funds, the County Collector should ensure adequate controls are in place to properly account for the numerical sequence of receipt slip numbers assigned by the property tax system.

Recommendation

The County Collector implement procedures to account for the numerical sequence of receipt slip numbers.

Auditee's Response

The County Collector and County Collector Elect (former County Collector) have reached out to the property tax system programmer to determine the best way to implement this recommendation and the programmer has indicated a report will be created to assist us with implementation of this recommendation.

3. Tax Maintenance Fund

Controls over the management and use of the Tax Maintenance Fund (TMF) need improvement. By law, prior to January 1, 2018, the County Collector is required to collect a penalty of 7 percent of the total charged on delinquent taxes, and distribute two-sevenths of this penalty to the TMF to be used for additional administrative and operational costs related to the office of the County Collector. Effective January 1, 2018, this penalty was increased to 9 percent and two-ninths of this penalty is required to be distributed to the TMF. During the year end February 28, 2018, approximately \$38,000 in penalties were deposited into the TMF and disbursements totaled approximately \$32,400.

3.1 Disbursements

Some disbursements from the county's TMF were not in compliance with uses allowed by state law and/or were not a prudent use of TMF monies.

- Between October 2014 and October 2017, the former County Collector hired and paid her sister \$1,345 as a contract employee to assist with preparing and mailing annual tax statements. Effective March 15, 2018, the former County Collector resigned from office as required by the Missouri Constitution after the nepotism concerns were raised and made public.

Article VII, Section 6, Missouri Constitution, provides that any public official who names or appoints to public office or employment any relative within the fourth degree shall forfeit his office.

- In January 2018, the former County Collector paid \$1,000 in legal fees to a law firm for an attorney to personally represent her in a Missouri Ethics Commission inquiry related to nepotism allegations. This disbursement was for personal reasons and not essential to the administration or operation of the County Collector's office or a prudent use of TMF monies.



Crawford County Collector and Property Tax System
Management Advisory Report - State Auditor's Findings

Section 52.315, RSMo, requires expenditures from the TMF be for additional administration and operation costs of the County Collector's office. Because the legal fees listed above were primarily for the benefit of the County Collector, personally, and not related to costs or expenses incurred in the office of the County Collector, the disbursement would not be appropriate from the TMF.

3.2 Budget

The County Collector did not provide all required budget information to the county budget officer for the TMF. While estimates of receipts and disbursements for the upcoming fiscal year were submitted, other required information including beginning and projected ending cash balances or comparative statements of actual receipts and disbursements for the prior 2 years were not included.

To be of maximum assistance as a planning tool and to adequately inform the public, budgets should include all beginning available resources and actual receipts and disbursements of the prior 2 years. Section 50.590, RSMo, requires budgets to include detailed budget estimates, showing the recommendations of the budget officer compared with the figures for the last completed fiscal year and the estimates for the current fiscal year.

Recommendations

The County Collector:

- 3.1 Ensure all disbursements from the TMF are in compliance with legal provisions and are a prudent use of taxpayer funds. In addition, the former County Collector should reimburse the TMF for the personal disbursement made.
- 3.2 Ensure all necessary budget information is prepared and provided to the county budget officer as required by state law.

Auditee's Response

The County Collector and County Collector Elect (former County Collector) provided the following responses:

- 3.1 *The County Collector has always been and will always be prudent in making decisions with regards to the use of taxpayer funds.*

In regards to the \$1,000 in legal fees paid from the county's TMF for a law firm to represent the County Collector Elect in a Missouri Ethics Commission inquiry, it should be noted that legal fees incurred related to this representation totaled \$2,480, of which the County Collector Elect personally paid \$1,480 of this cost. As the attorney continued to work directly and/or indirectly with the County Counselor, the Missouri Ethics Commission, the Crawford County Commissioners, the Governor's Office, and the Crawford County Republican Central Committee as to the time period and the process



Crawford County Collector and Property Tax System
Management Advisory Report - State Auditor's Findings

of a County Collector resigning from office, up to and including the completion of the County Collector's annual settlement, the remaining cost of \$1,000 was paid from the TMF. These additional services provided by the attorney did not have any direct correlation to the personal representation of the County Collector Elect with regards to her guilt and resignation of the office, but to assure county residents the welfare of the office.

It should be noted all the County Collectors in the state pay yearly into the Missouri County Collectors Association Legal Fund should legal issues arise that may affect the integrity of the Collectors Association, and those payments are made by the County Collectors from their Tax Maintenance Fund.

Although the County Collector Elect does not agree with the statement that the \$1,000 payment was for personal reasons, the County Collector Elect reimbursed the TMF \$1,011.16 on January 16, 2019. This payment includes the base amount of \$1,000 and 372 days of interest at one percent per annum of \$11.16.

- 3.2 *The County Collector's office has always completed and submitted the budgetary form provided to them by the Budget Officer for Crawford County. The County Collector and County Collector Elect will ensure all necessary budget information required by state law is provided to the budget officer in the future.*

Crawford County Collector and Property Tax System Organization and Statistical Information

The County Collector bills and collects property taxes for the county and most local governments. Pursuant to Section 52.015, RSMo, the term for which collectors are elected expires on the first Monday in March of the year in which they are required to make their last final settlement for the tax book collected by them. Annual settlements are to be filed with the county commission for the fiscal year ended February 28 (29).

Pat Schwent served as County Collector until March 15, 2018. She was hired as a clerk for County Collector's office on March 16, 2018. Linda Hamilton was appointed the Crawford County Collector on April 9, 2018, and sworn into office on April 24, 2018. On November 6, 2018, Pat Schwent was elected Crawford County Collector and will take office effective March 1, 2019.

The former County Collector received compensation of \$1,792 for the period March 1, 2018, to March 15, 2018. During the year ended February 28, 2018, the former County Collector received compensation of \$43,000. Compensation was in accordance with statutory provisions.