

The seal of the State Auditor of Missouri is circular and features a central figure holding a scale and a sword. The text around the seal reads "SEAL OF THE STATE AUDITOR" at the top, "WE STAND DIVIDED" in the middle, and "1820 MISSOURI 1892" at the bottom.

# Nicole Galloway, CPA

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Missouri State Auditor

## Barry County Collector and Property Tax System

Report No. 2019-124

December 2019

[auditor.mo.gov](http://auditor.mo.gov)



**Nicole Galloway, CPA**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the Barry County Collector and Property Tax System

County Collector's Controls and Procedures	The County Collector's office does not reconcile the composition of receipts to the composition of deposits, and personal commissions are not reported to the Internal Revenue Service by the county or applicable cities.
Property Tax System	Refunds of overpayments related to errors in property tax records are not always properly recorded in the property tax system, and reductions in assessed valuations do not always go through the abatement process. Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector. The County Collector's annual settlements for the years ended February 28, 2019, and 2018, were not complete and accurate.

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

\*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.

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# Barry County Collector and Property Tax System

## Table of Contents

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State Auditor's Report	2
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Management Advisory Report - State Auditor's Findings	1. County Collector's Controls and Procedures.....4 2. Property Tax System .....5
---	--

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Organization and Statistical Information	8
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## **NICOLE GALLOWAY, CPA**

### **Missouri State Auditor**

County Commission  
and  
County Collector  
Barry County, Missouri

We have audited the County Collector and Property Tax System of Barry County in fulfillment of our duties under Section 29.230, RSMo. Additionally, 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 June 30, 2019, a vacancy occurred in the office of the County Collector of Barry County. A successor was appointed and sworn into office effective July 17, 2019. The scope of our audit included, but was not necessarily limited to, the period of March 1, 2019, to June 30, 2019, and the 2 years ended February 28, 2019. 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.

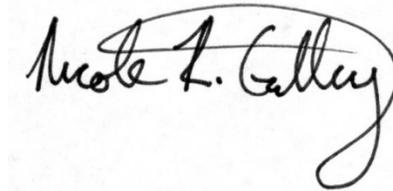
Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal control that is significant to the audit objectives and assessed the design and implementation of such internal control to the extent necessary to address our audit objectives. 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 Barry County.

An additional report, No. 2019-118, *Barry County*, was issued in December 2019.

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:

Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
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In-Charge Auditor:	Connie James, CGAP Marian Rader, M.Acct., CPA, CFE, CGFM
Audit Staff:	Misty Bowen, MSED

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

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## **1. County Collector's Controls and Procedures**

The County Collector's office does not reconcile the composition of receipts to the composition of deposits, and personal commissions are not reported to the Internal Revenue Service (IRS). Property taxes and other monies collected by the County Collector totaled approximately \$24.4 million during the year ended February 28, 2018, and approximately \$25.8 million during the year ended February 28, 2019.

### 1.1 Composition of receipts

The County Collector does not reconcile the composition of receipts (cash, check, money order, or credit card) to the composition of deposits. For 16 out of the 43 deposits reviewed (37 percent), the composition of receipts did not agree to the composition of deposits. The method of payment is marked on the tax statements and is entered in the computer system. However, when more than one form of payment is used, both forms of payments are not always entered in the computer system. A report is generated from the computer system totaling receipts by the method of payment. However, the composition of receipts on this report is not reconciled to the composition of deposits.

Failure to implement adequate recording, reconciling, and depositing procedures increases the risk of loss, theft, or misuse of monies received will go undetected.

A similar condition was noted in our prior county audit report.

### 1.2 Commissions

Personal commissions are not reported to the IRS by the county or applicable cities. The County Collector was personally paid commissions for the collection of city taxes totaling \$9,515, \$9,513, and \$9,915 for the years ended February 28, 2019, 2018, and 2017, respectively. Since these payments were not processed through the county payroll system, they were not reported on the employee's W-2 forms, appropriate payroll taxes were not withheld, and the employer's share of payroll taxes was not paid. The IRS regulations require individuals treated as employees to have all compensation reported on W-2 forms.

To ensure all compensation is properly reported and taxed, all compensation should be paid through the normal county payroll process. The failure to properly report and tax all wages could result in penalty and interest charges assessed against the county.

## **Recommendations**

The County Collector:

- 1.1 Accurately indicate the method of payment and reconcile the composition of receipts to the composition of deposits.
- 1.2 Ensure all compensation is paid through the county's normal payroll process, properly taxed, and reported to the Internal Revenue Service.



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

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## Auditee's Response

- 1.1 *The County Collector agrees and will be working with her staff and the system capabilities to ensure the accurate method of payment is entered into the system and is reconciled to the deposits made.*
- 1.2 *The County Collector has not been able to receive approval from the County Commission to process the commissions through the county payroll system, so she is researching other options to ensure commissions received for the collection of cities' taxes are properly reported to the IRS.*

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## 2. Property Tax System

Controls and procedures of the property tax system need improvement.

### 2.1 Abatements

Refunds of overpayments related to errors in property tax records are not always properly recorded in the property tax system, and reductions in assessed valuations do not always go through the abatement process. If an error in a property tax record resulting in an overpayment is identified after the related tax has been paid, the County Assessor adjusts the assessed value of the property in the subsequent tax year so that the tax liability is reduced to offset the amount of the overpayment. The County Assessor enters a reminder into the tax system to verify the accuracy of the assessed value in the following year. However, the County Collector should issue a refund check for tax overpayments instead of the County Assessor changing assessed valuations to lower a future payment.

The lack of independent verification and approval of changes in the property tax system significantly increases the risk of intentional and unintentional errors and omissions to the property tax books. Presenting abatement orders to the County Commission provides an independent review of changes made to the property tax system and helps ensure these changes are proper.

Sections 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making corrections to the tax books as ordered by the County Commission. Section 53.030, RSMo, requires the County Assessor to take an oath to assess property at what he or she believes to be the actual cash value, and no provision of law permits the County Assessor to change the assessment based on overpayment of tax. Making adjustments to assessed valuations to satisfy overpayments increases the risk of improper assessments in future years and loss of tax revenues.

### 2.2 Review of annual settlements

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 did not provide any evidence they had verified the accuracy and



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

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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.

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 abatements, 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 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.

A similar condition was noted in our prior 2 county audit reports.

### 2.3 Accuracy of annual settlements

The County Collector's annual settlements for the years ended February 28, 2019, and 2018, were not complete and accurate. The annual settlements did not include private car tax receipts totaling \$47,020 for the year ended February 28, 2019, and \$43,565 for the year ended February 28, 2018. The annual settlements also did not accurately report the taxes outlawed at the conclusion of the year ended February 28, 2019, totaling \$44,529, or the taxes outlawed at the conclusion of the year ended February 28, 2018, totaling \$40,300. These outlawed amounts were not reported as abatements, but were erroneously reported as delinquent taxes.

The County Collector should ensure complete and accurate annual settlements are prepared to provide assurance all collections and distributions are accounted for properly. Incomplete and/or inaccurate annual settlement information reduces the effectiveness of the settlement as a mechanism for accounting for all monies the County Collector is charged with collecting. As noted in section 2.2, procedures should be performed by the County Clerk and the County Commission to verify the accuracy of the County Collector's annual settlements.

## Recommendations

- 2.1 The County Assessor discontinue the practice of changing assessed valuations for subsequent billings when overpayments occur and present abatement orders to the County Commission for correction of all erroneous assessments.
- 2.2 The County Clerk maintain an account book with the County Collector. In addition, the County Clerk and the County Commission



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

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should use the account book to review the accuracy and completeness of the County Collector's annual settlements.

2.3 The County Collector prepare complete and accurate annual settlements.

## Auditee's Response

2.1 *The County Assessor will work with the County Collector to discontinue the practice of adjusting the assessed values on future tax years when an adjustment is required after the related tax has been paid. Refunds will be issued in this situation and the County Assessor will follow the procedure established for abatements including presenting the abatement orders to the County Commission.*

2.2 *The County Clerk is in the process of developing a system to track the activity of the County Collector. The County Commission will use the developed account book to verify the annual settlement.*

2.3 *The County Collector agrees to include the private car tax receipts on the annual settlement and will ensure the outlawed taxes are accurately reported as abated.*

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# Barry County Collector and Property Tax System Organization and Statistical Information

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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).

Janice Varner served as County Collector until June 30, 2019. Skyler Bowman was appointed the Barry County Collector and sworn into office on July 17, 2019.

The County Collector received compensation of \$17,003 for the period March 1, 2019, to June 30, 2019. The County Collector received compensation of \$54,890 for the year ended February 28, 2019, and \$54,513 for the year ended February 28, 2018. Compensation was in accordance with statutory provisions.