



**COUNTY COLLECTOR  
PULASKI COUNTY, MISSOURI**

**From The Office Of State Auditor  
Claire McCaskill**

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**AUDIT REPORT**



Office Of  
Missouri State Auditor  
Claire McCaskill

January 2005

**The following report is our audit of the County Collector, Pulaski County, Missouri.**

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The Pulaski County Collector contacted the State Auditor's Office and the Missouri State Highway Patrol in June 2004 concerning possible missing receipts in his office. Weaknesses in the internal control and record keeping systems of the County Collector's office allowed missing receipts of at least \$21,737 to go undetected for the period March 1, 2003 through June 30, 2004. These missing receipts may have been detected on a more timely basis if adequate oversight and reviews had been performed and if adequate internal controls had been established. Many of these control weaknesses were in prior audits but were never addressed. In addition, the County Collector has identified additional missing receipts of at least \$10,809 prior to March 1, 2003. Information regarding these missing receipts has been shared with law enforcement authorities. The former chief deputy collector's employment with the county was terminated on June 30, 2004.

Accounting duties were not adequately segregated, and no one independent of the duties of receiving and recording monies was comparing deposits to the daily abstract of collections. The chief deputy collector prepared daily summaries of tax receipts and deposits. However, the missing receipts were allowed to go undetected, in part, because these summaries contained inaccurate receipt information, and due to the lack of adequate segregation and reconciliation procedures, no one verified the accuracy of these summaries.

In addition, bank reconciliations were not performed and liabilities were not reconciled to the cash balances, and as a result, differences have occurred and not been corrected or resolved in a timely manner. From March 1, 2003, to June 30, 2004, the County Collector distributed \$10,347 for taxpayers who had shown evidence that their taxes were paid, even though the county's records indicated the amounts were still delinquent. The County Collector made these distributions on the assumption that they represented part of an unidentified balance; however, the County Collector did not track the total amount paid out in this manner, and never performed the necessary reconciliation.

The County Collector also needs to improve controls over reversing entries, and should prepare annual settlements as required by state law.

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YELLOW SHEET

COUNTY COLLECTOR  
PULASKI COUNTY, MISSOURI

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STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the County Collector  
Pulaski County, Missouri

We have audited the County Collector of Pulaski County, Missouri. The scope of this audit included, but was not necessarily limited to, the period March 1, 2003 through June 30, 2004. The objectives of this audit were to:

1. Determine the extent of any missing receipts from the County Collector's office.
2. Review certain internal controls regarding the collection and distribution of property taxes and other monies.
3. Review compliance with certain legal provisions.

To accomplish these objectives, we reviewed bank statements, monthly settlements, daily abstract and transaction reports, receipt reversing entries, and other pertinent documents, and interviewed various personnel of the County Collector's office as well as certain external parties. Our methodology included, but was not necessarily limited to, the following:

1. We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.
2. We obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of 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 significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

The accompanying Management Advisory Report presents our findings arising from our audit of the County Collector of Pulaski County, Missouri.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill  
State Auditor

October 14, 2004 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA  
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## EXECUTIVE SUMMARY

COUNTY COLLECTOR  
PULASKI COUNTY, MISSOURI  
EXECUTIVE SUMMARY

Weaknesses in the internal control and record keeping systems of the County Collector's office allowed missing receipts of at least \$21,737 to go undetected for the period March 1, 2003 through June 30, 2004. In addition, the County Collector identified additional missing receipts of at least \$10,809 prior to March 1, 2003.

These missing receipts may have been detected on a more timely basis if adequate oversight and reviews had been performed and if internal controls as noted in the accompanying Management Advisory Report had been established. Our prior audits of the County Collector's office covering the past 10 years have noted similar weaknesses in the internal control and record keeping systems.

George Berry serves as County Collector. Kimberly Jeffries was employed as the chief deputy collector and her duties were to receive and record payments, and prepare deposits. Ms. Jeffries employment with the county was terminated on June 30, 2004. Information regarding these missing receipts has been shared with law enforcement authorities.

MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

COUNTY COLLECTOR  
PULASKI COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

The County Collector is responsible for collecting and distributing property taxes for most political subdivisions within the county. During the year ended February 29, 2004, property taxes and other monies totaling approximately \$9.5 million were collected and distributed.

The Pulaski County Collector contacted the State Auditor's Office and the Missouri State Highway Patrol in June 2004 concerning possible missing receipts in his office. Based on this contact, the State Auditor's Office performed an audit of the County Collector's office.

Following are our comments regarding the missing receipts and the related accounting controls and procedures.

<b>1. Missing Receipts</b>
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At least \$21,737 in tax receipts were recorded in daily abstract reports for the period March 1, 2003 through June 30, 2004; however, these receipts were not included in bank deposits. Subsequent to contacting our office, the County Collector performed a comparison of daily abstract reports and bank deposits. This comparison noted 61 different days during this time period that the amounts deposited were less than the receipts recorded on the daily abstract reports. While our audit work primarily concentrated on verifying the specific shortages identified by the County Collector for this time period, the overall comparison of tax receipts to deposits produced similar results.

Some of the missing receipts represented specific payments which were recorded as received. The County Collector was able to locate copies of paid tax receipts for many of these payments and most indicated the payments were received in cash. For example, a receipt of \$347.08 was recorded on the daily abstract report on November 21, 2003, and a corresponding paid tax receipt showed this amount was received in cash on that date; however, it was not included in the corresponding bank deposit for that day.

Other missing amounts, while not for specific tax receipt amounts, represented even dollar amounts. For example, 2003 real estate taxes recorded on the daily abstract report for March 26, 2004, totaled \$3,881.49; however, only \$3,381.49 was included in the corresponding bank deposit for that day, indicating a shortage of \$500.

The chief deputy collector prepared daily summaries of tax receipts and deposits. The shortages referred to in the preceding paragraphs were allowed to go undetected, in part, because these summaries contained inaccurate receipt information and the County Collector did not verify the accuracy of these summaries. The receipt amounts reported on these summaries for the 61 days noted above were less than the amounts recorded on

the daily abstract reports, which had the effect of concealing the shortages. In addition, entries were made to the computerized accounting system to reverse previously recorded receipts, and the validity of many of these entries was not verified. It appears that many of these reversing entries were made to help conceal the shortages noted above (See Management Advisory Report No. 2).

The County Collector has similarly identified \$10,809 in tax receipts that were recorded in daily abstract reports for March 1, 2002 thru February 28, 2003 but were not included in deposits.

These missing receipts were not detected on a timely basis due to various internal control weaknesses. Many of these internal control weaknesses were also noted in prior audits performed on the County Collector's office. Management Advisory Report (MAR) No. 2 addresses the needed controls.

**WE RECOMMEND** the County Collector take the necessary action to recover the missing receipts and work with law enforcement authorities regarding any criminal prosecution.

### **AUDITEE'S RESPONSE**

*We will file a claim against the chief deputy's bond for the missing receipts, and we have already contacted the Highway Patrol to request an investigation. We will work with the Highway Patrol and take action as recommended by them.*

<b>2. Accounting Controls and Procedures</b>
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Accounting duties are not adequately segregated. Daily reconciliations between receipts and deposits are not adequate, and bank reconciliations and reconciliations of the cash balances to liabilities are not performed. Adequate controls do not exist over receipt reversing entries. The County Collector has not prepared annual settlements as required by state law since 1996.

- A. During the audit period, accounting duties were not adequately segregated. The chief deputy collector received and recorded monies, and prepared deposits. As noted in MAR No. 1, no one independent of these duties was comparing the deposits to the daily abstracts of collections or to any other record of receipts to ensure that all monies received were deposited.

Internal controls would be improved by segregating the duties of receiving and recording monies from the duties of depositing monies. If duties cannot be adequately segregated, at a minimum, the County Collector should compare the daily abstract reports to deposits and also perform periodic reviews of all the accounting records to ensure their accuracy. Failure to adequately segregate

duties or provide adequate supervisory review increases the risk that errors or irregularities will not be detected in a timely manner.

- B. The County Collector maintains two bank accounts for the receipt and disbursement of tax collections. Receipts are not adequately reconciled to daily deposits, and monthly bank reconciliations are not prepared for these bank accounts.

As noted in MAR No. 1, receipt and deposit summaries were prepared by the chief deputy collector, but no comparison was performed between these summary amounts and the daily abstracts. As a result, inaccurate receipt amounts reported on these summaries were not detected on a timely basis. Additionally, differences between daily receipts and deposits reported on these summaries were not investigated and resolved in a timely manner.

The receipt amounts recorded on these summaries generally agreed to the deposits; however, the December 22, 2003, summary report indicated receipts exceeded deposits by over \$4,000. While there was apparently no attempt to conceal this difference, the lack of adequate reconciliation procedures and the lack of follow-up allowed this error to go undetected and unresolved for almost a year. Upon our request, the County Collector followed up on this difference and noted that a tax receipt for \$4,469 in the form of a check was not included in the corresponding deposit. The County Collector contacted the corresponding taxpayer who indicated that the check for \$4,469, which had apparently been made payable to the County Collector, was actually re-deposited into the taxpayer's bank account. The taxpayer sent a replacement check for this amount to the County Collector in November 2004.

Daily reconciliations between receipts and deposits, and monthly bank reconciliations are necessary to ensure bank and book records are in agreement and to ensure errors are detected and corrected in a timely manner. Any differences between receipts and deposits should be investigated and resolved in a timely manner.

- C. The County Collector does not reconcile the cash balances to liabilities, and as a result, unidentified differences (such as the shortages noted in MAR 1 above) have occurred and not been corrected or resolved in a timely manner.

During the audit period, the County Collector indicated that numerous taxpayers who were sent a delinquent notice had produced either paid receipts or canceled checks to prove they had paid their taxes. The County Collector's office, when presented with such evidence of payment, posted these payments to the tax system on the last Sunday of the month and included these amounts with the monthly disbursement of taxes. The County Collector was disbursing these amounts on the assumption that they represented part of the unidentified balance of approximately \$3,800 at February 28, 2003. (The collector had failed to

perform such reconciliations as reported in several prior audits). However, the County Collector was not tracking the total of these postings in relation to the unidentified balance and continued not reconciling the balances in his bank accounts to related liabilities. As a result, for the period March 1, 2003 through June 30, 2004, \$10,347 was included in these last Sunday of the month postings, thereby exceeding the unidentified amount in the account by approximately \$6,500. The County Collector had no documentation of when these previously unrecorded payments, posted on the last Sunday of a month, were originally paid.

Monthly reconciliations of the cash balances to liabilities are necessary to ensure the cash balances are sufficient to cover liabilities. Without the preparation of such reconciliations, there is little assurance that cash receipts and disbursements have been properly handled and recorded.

- D. The County Collector has identified \$26,468 in accounting entries which represent reversals of original tax receipt entries, and a legitimate reason for these reversing entries could not be provided. These reversals appear to have been done, at least in part, to help conceal some of the shortage referred to in Part A. above. Many of these unsubstantiated reversals were done during the first part of a month, before the prior month's settlement was prepared and the disbursements made. As a result, the amount to be disbursed was closer to what actually was deposited for the month, thereby helping to conceal the shortages.

The County Collector used two different computerized tax accounting systems during the audit period, both of which allowed employees to reverse receipt information that was originally entered. The current computer system, which was implemented in September 2003, appears to have better capabilities to adequately document reversing entries, such as the identification of the employee preparing each reversal and a brief description of the reason for the reversal. However, the County Collector only started printing out all reversing entries in January 2004, and has not adopted procedures to ensure all reversing entries are proper.

A documented review of all receipt reversing entries should be performed by the County Collector or someone independent of the receipting and recording duties to ensure their propriety. Further, adequate documentation should be retained to support all such entries.

- E. The County Collector has not prepared annual settlements since 1996. Section 139.160, RSMo 2000, requires settlements to be filed with the County Commission by the first Monday in March. While similar concerns were noted in previous audits of the County Collector's office, neither the County Collector nor the County Commission have taken action to ensure annual settlements are prepared as required by state law.

To help ensure the validity of tax book charges, collections, and credits, and for the County Clerk and County Commission to properly verify these amounts, it is

imperative the County Collector file annual settlements on a timely basis. In addition, timely annual settlements are an essential part of the checks and balances system established by state law.

**WE RECOMMEND** the County Collector:

- A. Adequately segregate accounting duties. If duties cannot be adequately segregated, at a minimum, the County Collector should compare monies received with deposits and should perform periodic reviews of all the accounting records to ensure their accuracy.
- B. Adopt procedures to adequately reconcile daily receipts to deposits, including a comparison of daily abstract reports to deposits, and prepare monthly bank reconciliations for all accounts. Any errors or omissions should be investigated and resolved in a timely manner.
- C. Reconcile liabilities to the cash balances on a monthly basis and investigate any differences.
- D. Ensure documented independent reviews are performed of all receipt reversing entries and retain adequate documentation to support all such entries.
- E. Prepare and file annual settlements as required by state law.

**AUDITEE'S RESPONSE**

- A. *Duties are now being segregated.*
- B. *This is being implemented and errors and omissions are reviewed in a timely manner.*
- C. *This is being implemented.*
- D. *This has been implemented. We are reviewing all reversals and keeping adequate documentation.*
- E. *An annual settlement will be filed for the year ended February 28, 2005.*