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County Collector Miller County

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YELLOW SHEET

Findings in the audit of County Collector, Miller County

Bank Reconciliations	Formal bank reconciliations are not prepared and retained. In addition, monthly lists of liabilities are not prepared and reconciled to cash balances. As a result, differences have occurred and not been corrected or resolved. As of February 28, 2009, the reconciled bank balance exceeded the identified liabilities by \$8,770. An attempt should be made to determine the proper disposition of the differences.
Receipts	Receipts are not deposited intact. During our cash count, we noted nine checks that could not be traced to a subsequent deposit. The County Collector's Chief Deputy indicated checks received are sometimes withheld from deposits and returned to the payer if they are written for the wrong amount, but no documentation is maintained to indicate checks were returned.
Annual Settlements	The annual settlement for the year ended February 28, 2009, was not filed as of May 4, 2009. In addition, the County Collector's annual settlements for the years ended February 28 (29), 2008 and 2007, contained numerous errors and inconsistencies in amounts reported. Untimely, incomplete, and/or inaccurate annual settlement information reduces the effectiveness of the settlement as a mechanism for accounting for all monies the County Collector was charged with collecting.
Review of Annual Settlements	While the County Clerk and the County Commission indicated they perform a review of the annual settlements, their review was not documented and did not detect the errors in the County Collector's settlements. The County Clerk does not maintain an account book or other records summarizing property tax transactions.
Budgets	The Collector's Tax Maintenance Fund budgets included in the consolidated county budget for 2008 and 2007 were not complete. Beginning cash balances, budgeted receipts, and prior year actual receipts and disbursements were not always included. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area.

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To the County Commission
and
County Collector
Miller County, Missouri

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. The County Collector of Miller County resigned effective November 14, 2008. A successor was appointed and sworn into office effective December 17, 2008.

To satisfy our statutory obligation, we have audited the operations of the County Collector of Miller County. The scope of our audit included, but was not necessarily limited to, the period March 1 to November 14, 2008 and the years ended February 28 (29), 2008 and 2007. Miller County was audited by McBride, Lock and Associates, CPAs, for the years ended December 31, 2007 and 2006. The objectives of our audit were to:

1. Determine the financial condition of the accounts of the office of the County Collector.
2. Determine the proper compensation that should have been paid to the prior County Collector during the audit period and the compensation actually paid during such period.
3. Determine if the County Collector has adequate internal controls over significant financial functions.
4. Determine if the County Collector has complied with certain legal provisions.
5. File a report of our findings with the County Commission and the individual appointed to fill the vacancy in the office of the County Collector.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office of County Collector, as well as other county officials and 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. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We 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 contract, 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. 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. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

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 Miller County and was not subjected to the procedures applied in our audit of the County Collector.

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 owing to the county or the past County Collector. The accompanying Management Advisory Report presents our findings arising from our audit of the County Collector of Miller County.



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Miller County Collector Management Advisory Report State Auditor's Findings

1. Accounting Controls and Procedures

The County Collector does not prepare formal bank reconciliations, does not reconcile liabilities to cash balances and does not document the final disposition of all receipts. An annual settlement has not been filed for the year ended February 28, 2009, and annual settlements filed for the years ended February 28 (29), 2008 and 2007, contained errors. In addition, budgets filed for the Collector's Tax Maintenance Fund were not complete.

The County Collector is responsible for collecting and distributing property taxes for most political subdivisions within the county. Property taxes and other monies totaling approximately \$16.9 million were collected and distributed during the year ended February 29, 2008.

1.1 Bank reconciliations

Formal bank reconciliations are not prepared and retained. In addition, monthly lists of liabilities are not prepared and reconciled to cash balances. The County Collector maintains several bank accounts for the deposit of property tax collections, protested taxes, lodging taxes, and the Collector's Tax Maintenance Fund. Collections are distributed monthly, with the exception of interest earnings and surtax, which are distributed once a year.

The County Collector records transactions on a computer software program; however, formal bank reconciliations are not prepared identifying checks outstanding and deposits in transit. As a result, the County Collector does not have a documented reconciled bank balance that can then be used to reconcile to a monthly list of liabilities.

Upon our request, the current County Collector provided a reconciled bank balance for the main bank account as of November 30, 2008; however, there were no outstanding checks or deposits in transit noted on the reconciliation. This reconciliation indicated a reconciled bank balance of \$1,907,368 while the check register showed a balance of \$1,912,801. Because the reconciling items were not identified, we could not determine which balance was correct. In addition, the County Collector could not provide a list of liabilities as of that date. Based on a review of the Collector's records, we identified liabilities totaling \$1,912,212 at November 30, 2008, including November taxes of \$1,893,905, surtax of \$16,682 and interest of \$1,625. These liabilities were \$4,844 more than the reconciled bank balance and \$589 less than the balance recorded on the check register.

The February 2009 bank reconciliation was completed and compared to identified liabilities by the current County Collector in April 2009. The bank reconciliation reflected an unidentified balance in the account of \$693,599; however, an adjustment for protested taxes reduced the unidentified amount to \$8,770.

Adequate reconciliations between liabilities and reconciled cash balances are necessary to ensure the cash balance is properly identified and monies



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are sufficient to meet liabilities. Without the preparation of such reconciliations, there is little assurance that cash receipts and disbursements have been properly handled and recorded. An attempt should be made to determine the proper disposition of unidentified differences.

1.2 Receipts

Receipts are not deposited intact. Checks received are sometimes withheld from deposits and returned to the payer if they are written for the wrong amount. During our cash count on January 21, 2009, we noted nine checks totaling \$4,682 that could not be traced to a subsequent deposit. The County Collector's Chief Deputy stated these checks must have been returned to the payer because they were written for the wrong amount, but there was no documentation of the checks being returned. The Chief Deputy said the Collector's office sends a card along with the returned check indicating the correct amount due; however, a copy of this card or other documentation is not maintained to indicate the check was returned. We were able to contact the payer to confirm one of the checks for \$2,124 was returned. All receipts should be deposited intact on a timely basis or, at a minimum, documentation of their disposition should be maintained so all monies received can be accounted for properly.

1.3 Annual settlements

The annual settlement for the year ended February 28, 2009, was not filed as of May 4, 2009. In addition, the County Collector's annual settlements for the years ended February 28 (29), 2008 and 2007, contained numerous errors and inconsistencies in amounts reported including:

- 1) Property tax charges for back taxes reported on the annual settlement for the year ended February 29, 2008, did not agree to the delinquent tax amounts on the prior year's annual settlement. Delinquent taxes reported on the settlement for the year ended February 28, 2007, were \$54,081 more than the charges carried forward to the settlement for the year ended February 29, 2008. No documentation was provided to support the change in the amount.
- 2) Some distributions reported on the settlements did not agree to supporting documentation maintained. Differences between the distributions per the annual settlement and the County Collector's computer system totaled \$53,600 for the year ended February 29, 2008, and \$72,000 for the year ended February 28, 2007. Most of the differences appeared to be due to miscellaneous receipts and commissions. However, other errors were noted as follows:
 - Distributions to fire districts as reported on the annual settlement for the year ended February 29, 2007, were \$4,000 more than the amounts collected per the County Collector's computer system.



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- Distributions to the library district as reported on the annual settlement for the year ended February 28, 2008, were \$4,700 more than the amounts collected per the County Collector's computer system.

Untimely, incomplete, and/or inaccurate annual settlement information reduces the effectiveness of the settlement as a mechanism for accounting for all monies the County Collector was charged with collecting.

To help ensure the validity of the 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. Section 139.160, RSMo, requires the County Collector to settle accounts with the County Commission by the first Monday of March.

1.4 Review of annual settlements

While the County Clerk and the County Commission indicated they perform a review of the annual settlements, their review was not documented and did not detect the errors in the County Collector's settlements. The County Clerk does not maintain an account book or other records summarizing property tax transactions.

Section 51.150(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 which summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts should be maintained by the County Clerk. Such records could be used by the County Clerk and County Commission to verify the County Collector's monthly and annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

1.5 Budgets

The Collector's Tax Maintenance Fund budgets included in the consolidated county budget for 2008 and 2007 were not complete. Beginning cash balances, budgeted receipts, and prior year actual receipts and disbursements were not always included. The County Collector maintains custody of the Collector's Tax Maintenance Fund and handles all duties relating to the fund. At December 31, 2008, the balance of the Collector's Tax Maintenance Fund was \$77,663.

Chapter 50, RSMo, requires preparation of an annual budget for all funds to present a complete financial plan for the ensuing year and describes details to be provided in budget documents. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area.



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Similar conditions
previously reported

Similar conditions to 1.1, 1.3, and 1.5 were noted in our prior audit report.

Recommendations

- 1.1 The County Collector prepare and document bank reconciliations on a monthly basis and compare lists of liabilities and other reconciling items to the reconciled bank balance. An attempt should be made to identify and resolve the differences in the cash balance that currently exist.
- 1.2 The County Collector deposit all monies intact on a timely basis or, at a minimum, document the disposition of all receipts.
- 1.3 The County Collector file complete and accurate annual settlements in a timely manner.
- 1.4 The County Clerk and the County Commission monitor property tax system activities and perform a thorough review of the County Collector's annual settlements.
- 1.5 The County Collector prepare complete and accurate budgets as required by state law.

Auditee's Response

The current County Collector provided the following responses:

- 1.1 *I now understand how to perform the bank reconciliations and asset to liability comparisons and intend to perform these procedures in the future.*
- 1.2 *We are now documenting the checks that have been returned in a log. A letter is sent to the taxpayer and a copy of the letter will be retained.*
- 1.3 *I will try to file the settlements timely each year. We are currently working on the settlement for the year ended February 2009 with the software company. I will maintain supporting documentation for settlement amounts.*
- 1.5 *I will prepare the annual budget in accordance with state law.*

The County Clerk and County Commission provided the following response:

- 1.4 *When the settlement is received, we will try to review it properly.*

Miller County Collector 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).

Larry Sullivan served as County Collector until November 14, 2008. William (Bill) Harvey was appointed the Miller County Collector and sworn into office on December 17, 2008.

The County Collector received compensation of \$31,673 for the period March 1 to November 14, 2008. During the years ended February 28 (29), 2008 and 2007, the County Collector received compensation of \$45,000 and \$43,000, respectively. Compensation was in accordance with statutory provisions.