



Scott Fitzpatrick
Missouri State Auditor

CITIZENS SUMMARY

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

Background

In October 2021, concerns were brought to the attention of the Sheriff regarding fees paid in cash to the County Collector's office for property sales that were not deposited. At the request of the Sheriff, the Missouri State Highway Patrol (MSHP) opened an investigation. In June 2022, charges were initially filed relating to the MSHP's investigation. On November 28, 2022, the County Commission sent a letter to the State Auditor requesting an audit of the County Collector's office. On January 23, 2023, Carla Zettler, County Collector, was removed from office, and on January 26, 2023, Kris Richards was sworn in as the new County Collector.

State law requires an audit be conducted by the State Auditor's Office after a vacancy occurs in the office of the County Collector. We began an audit of the County Collector's office on January 30, 2023.

Undeposited Receipts, Improper Transfers, and Questionable Disbursements

The former County Collector did not record or deposit at least \$107,081 in county trustee property sales receipts from the sale of over 1,700 properties from 2018 to 2021. The County Trustee sold most of the properties for \$1 plus \$99 in fees, for a total of \$100 per lot. Of the total \$100 paid per lot, only the \$1 collected for the county was recorded, deposited, and distributed by the County Collector's office. The remaining \$99 was held, in cash, in envelopes stored in the cash drawer or vault of the County Collector's office until distributed. Some of these receipts were likely distributed to the County Collector's office employees and the County Trustee. Additionally, it was reported that some of the receipts may have been maintained in cash in the County Collector's office and used for lunches and other petty cash type disbursements. However, there is no documentation to support any of these payments. The former County Collector improperly transferred at least \$3,700 from the Tax Maintenance Fund bank account to her personal bank account during 2018 and 2019. In addition, from 2019 to 2022, she made questionable disbursements by check and debit card, totaling at least \$3,211. An additional \$1,278 in questionable disbursements were identified by the MSHP between 2019 and 2020.

County Trustee Property Sales

The former County Collector used proceeds from the county trustee property sales to make questionable and unsupported payments to office employees. The employees received a total of at least \$32,500 from 2018 to 2021 for trustee sales. In addition, the compensation per lot paid to the County Trustee significantly exceeded the amount allowed by state law and the county did not issue 1099 forms for the amounts paid to the County Trustee. The County Trustee received at least \$23 from each trustee property lot sold, and received at least \$39,400 from 2018 to 2021 for trustee sales. Also, the county could not provide justification to support how the total price for the trustee property lots was determined.

Tax Maintenance Fund

The former County Collector approved 5 employee bonus payments from the Tax Maintenance Fund, totaling \$11,989, during 2021 and 2022, in violation of the Missouri Constitution. The amount paid for each employee was calculated on the number of hours worked during previous periods at an additional rate of pay per hour ranging from \$1.50 to \$2.30 per hour. The payments were in addition to regular payroll disbursements. The former

County Collector did not transfer receipts into the Tax Maintenance Fund on a monthly basis as required by state law, instead distributions were often made for several months at one time. The practice of transferring multiple months at one time made it more likely errors would occur.

Accounting Controls and Procedures

Weaknesses in accounting controls and procedures include not always depositing receipts intact, not accounting for the numerical sequence of receipt slip numbers, and office personnel sharing the same cash drawer when collecting receipts. General account bank reconciliations prepared by the former County Collector were not always complete, accurate, or timely. As of January 30, 2023, the former County Collector had only completed bank reconciliations on the general account through August 2022. The former County Collector did not prepare lists of liabilities for the general or the ACH (installment) bank accounts, and consequently, liabilities were not agreed to reconciled bank balances. The former County Collector did not transfer the balance of the ACH bank account to cover tax liabilities paid in November 2022. In addition, the former County Collector did not distribute protested taxes in a timely manner and did not maintain protested taxes in an interest bearing bank account as required by state law.

Property Tax System

The County Commission does not perform any procedures to verify the accuracy and completeness of the County Collector's annual settlements as required by state law. As a result, there is an increased risk of loss, theft, or misuse of property tax money going undetected, and less assurance the annual settlements are complete and accurate. The current County Collector has not completed and filed an annual settlement for the years ended February 28, 2023, and February 29, 2024, in violation of state law.

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

*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.



Recommendations in the audit of the Washington County Collector and Property Tax System

Undeposited Receipts, Improper Transfers, and Questionable Disbursements 1.1-1.2 The County Commission and the County Collector continue to work with law enforcement officials regarding criminal prosecution of the unaccounted for receipts, inappropriate transfers, and questionable disbursements. In addition, the County Collector should ensure all receipts are recorded timely in the accounting system, deposited intact, and distributed by official check; and sufficient documentation is maintained to support all distributions. Also, the County Collector should ensure future disbursements from the Tax Maintenance Fund are in compliance with state law and supporting documentation is maintained for all disbursements.

County Trustee Property Sales The County Commission and the County Collector:

- 2.1 Ensure all compensation is paid through the county's normal payroll process, properly taxed, and reported to the IRS and the Missouri Department of Revenue as employee compensation; and complies with the Missouri Constitution.
- 2.2 Ensure compensation paid to the county trustee complies with state law and is reported to the Internal Revenue Service (IRS) and the Missouri Department of Revenue on 1099 forms.
- 2.3 Evaluate the total sales price for each trustee property lot, and maintain documentation to support how the total sales price is determined and how the sales receipts are to be distributed.

Tax Maintenance Fund The County Collector:

- 3.1 Discontinue paying employee bonuses.
- 3.2 Transfer receipts into the Tax Maintenance Fund monthly as required by state law and ensure the transfer amount is accurate.

Accounting Controls and Procedures The County Collector:

- 4.1 Ensure all receipts are deposited intact, account for the numerical sequence of receipt slip numbers, and limit access to the cash drawer.
- 4.2 Prepare accurate and timely bank reconciliations. Promptly investigate and resolve any differences identified.
- 4.3 Prepare monthly lists of liabilities and reconcile the listings to the reconciled bank balances, promptly investigate any differences, and if any money remains unidentified dispose of it in accordance with state law. In addition, establish procedures to ensure installment payments are transferred from the ACH bank account to the general bank account when payments are posted to the property tax system.

4.4 Ensure protested taxes are maintained in an interest bearing bank account, accounted for properly, and distributed in a timely manner.

Property Tax System

5.1 The County Commission develop procedures to review the accuracy and completeness of the County Collector's annual settlements.

5.2 The County Collector prepare and file annual settlements in accordance with state law.