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Missouri State Auditor

Audrain County Collector and Property Tax System



March 2012
Report No. 2012-18

<http://auditor.mo.gov>



CITIZENS SUMMARY

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

Background	Section 52.150, RSMo, requires the State Auditor to audit the office of a County Collector after being notified of a vacancy in that office. A vacancy occurred in the office of the County Collector of Audrain County on November 9, 2011. The scope of our audit included, but was not necessarily limited to, the year ended February 28, 2011, and the period of March 1, 2011 to November 9, 2011.
Property Tax System Controls and Procedures	As noted in prior audits of Audrain County, significant weaknesses existed in the property tax system's controls and procedures, making it difficult to ensure property tax monies have been accounted for properly. Neither the County Commission nor the County Clerk adequately reviewed the County Collector's activities, and the County Clerk's account book did not contain sufficient information to allow it to be reconciled to the County Collector's annual settlements. Although the County Commission reviewed total addition and abatement amounts each month, this review was not documented and the individual court orders were not reviewed.
County Collector's Controls and Procedures	The County Collector did not compare reconciled bank account balances to existing liabilities, and the cash balance as of October 31, 2011, exceeded the list of liabilities by \$278. At our request, the current Collector reviewed the credit card account and the partial payment account and found the credit card account had an unidentified excess of \$905, and the partial pay account had approximately \$1,000 that cannot be attributed to specific taxpayers. A similar condition was noted in the prior audit report.

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

American Recovery and Reinvestment Act (Federal Stimulus)	The Audrain County Collector did not receive any federal stimulus monies during the audited time period.
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*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.

Audrain County Collector and Property Tax System

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THOMAS A. SCHWEICH

Missouri State Auditor

To the County Commission
and
County Collector
Audrain County, Missouri

We have audited the County Collector and Property Tax System of Audrain 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 November 9, 2011, a vacancy occurred in the office of the County Collector of Audrain County. A successor was appointed and sworn into office effective December 28, 2011. The scope of our audit included, but was not necessarily limited to, the period of March 1, 2011, to November 9, 2011, and the year ended February 28, 2011. 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 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.

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 owing 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 Audrain County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CIA
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Audrain County Collector and Property Tax System Management Advisory Report State Auditor's Findings

1. Property Tax System Controls and Procedures

Prior audits of Audrain County have addressed the inadequacy of controls and procedures over the property tax system. Although some improvement was made, significant weaknesses still exist. As a result of the control weaknesses identified, there is insufficient assurance property tax monies have been accounted for properly.

Neither the County Commission nor the County Clerk adequately reviews the activities of the County Collector. The County Clerk maintains an account book to record the amounts collected and distributed as reflected on the monthly settlements prepared by the County Collector. However, the account book does not indicate the total charges, additions, abatements, and delinquent credits, and therefore, cannot be adequately reconciled to the County Collector's annual settlements. Although the County Commission reviews total addition and abatement amounts each month, this review is not documented and the individual court orders are not reviewed. In addition, no evidence was provided to indicate procedures are performed by the County Commission to verify the County Collector's monthly or annual settlements.

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 the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's monthly and annual settlements and ensure additions and abatements have been properly recorded in the property tax system.

Recommendation

The County Clerk maintain a complete account book with the County Collector, including charges, additions, abatements, and delinquent credits. The County Clerk and the County Commission should use the account book to review the accuracy and completeness of the County Collector's monthly and annual settlements.

Auditee's Response

The County Commission, County Clerk, and County Collector provided the following response:

The County Commission will receive a detailed report of additions and abatements from the Assessor each month and will review it. The County Clerk intends to set up a spreadsheet in Excel to include additions and abatements, charges, and collections and will reconcile monthly with the County Collector. The County Collector will print the delinquent tax book monthly.



Audrain County Collector and Property Tax System
Management Advisory Report - State Auditor's Finding

2. County Collector's Controls and Procedures

The County Collector does not compare reconciled bank account balances to existing liabilities. The County Collector distributes collections monthly, except for interest earnings and surtax that are distributed annually. The reconciled cash balance of the main bank account as of October 31, 2011, totaled \$73,581. We prepared a list of liabilities as of October 31, 2011, and the list totaled \$73,303, \$278 less than the cash balance. In addition, upon our request, the Collector's office attempted to prepare lists of liabilities for the credit card and partial payment accounts. The credit card account had unidentified excess monies of \$905, and the partial pay account had approximately \$1,000 that cannot be identified to the appropriate taxpayers.

To ensure records are in balance, errors are detected and corrected on a timely basis, and sufficient cash is available for the payment of all amounts due, liabilities should be identified monthly and reconciled to cash balances.

A similar condition was noted in the prior audit report.

Recommendation

The County Collector reconcile assets to liabilities for all accounts on a monthly basis.

Auditee's Response

The County Collector provided the following response:

I will reconcile assets to liabilities on a monthly basis. The main account was out of balance \$178 in January 2012.

Audrain 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).

Diana Rennick served as County Collector until November 9, 2011. Catherine Zinkel was appointed the Audrain County Collector and sworn into office on December 28, 2011.

The former County Collector received compensation of \$33,112 for the period of March 1, 2011, to November 9, 2011. During the year ended February 28, 2011, the former County Collector received compensation of \$52,188; which included \$5,800 in compensation for the collection of city tax bills. Compensation was in accordance with statutory provisions.

American Recovery and Reinvestment Act of 2009 (Federal Stimulus)

The Audrain County Collector did not receive any federal stimulus monies during the period of March 1, 2011, to November 9, 2011, and the year ended February 28, 2011.