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Missouri State Auditor

Carter County Collector and Property Tax System



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CITIZENS SUMMARY

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

Background	<p>In our audit of Carter County released in October 2012, Report No. 2012-124, we noted property tax receipts of at least \$3,817 were not deposited. Follow-up procedures identified another \$5,768 received but not deposited. Information regarding the missing monies has been shared with law enforcement authorities, and the former County Collector resigned on October 9, 2012.</p> <p>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. The scope of our audit included, but was not necessarily limited to, the period of March 1, 2012 to October 9, 2012, when the former County Collector resigned.</p>
County Collector's Controls and Procedures	<p>The current County Collector identified property tax receipts totaling \$3,968 were collected, but the corresponding tax bills were shown as unpaid in the property tax system showed and were included in the delinquent tax books. Audit staff determined an additional \$1,800 in partial payment and merchant license cash receipts were collected but not deposited. Receipts were not always issued for tax payments received, the method of payment was not accurately recorded, and receipts were not deposited intact or timely. Lists of liabilities were not adequately reconciled with the reconciled cash balance, and partial payments were not properly recorded and receipted.</p>
Property Tax System	<p>Neither the County Clerk nor the County Commission had procedures in place to verify the accuracy of the County Collector's work. The County Clerk did not maintain a complete and accurate account book.</p>

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

American Recovery and Reinvestment Act (Federal Stimulus)	<p>The Carter County Collector did not receive any federal stimulus monies during the audited time period.</p>
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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.

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Carter County Collector and Property Tax System

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THOMAS A. SCHWEICH

Missouri State Auditor

To the County Commission
and
County Collector
Carter County, Missouri

We have audited the County Collector and Property Tax System of Carter 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 October 9, 2012, a vacancy occurred in the office of the County Collector of Carter County. A successor was appointed and sworn into office effective October 26, 2012. The scope of our audit included, but was not necessarily limited to, the period of March 1, 2012, to October 9, 2012. 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 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 tested certain of those controls to obtain evidence regarding the effectiveness of their design and 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 or violation of 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 Carter 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

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Carter County Collector and Property Tax System

Management Advisory Report

State Auditor's Findings

1. County Collector's Controls and Procedures

Significant weaknesses continued to exist in the former County Collector's accounting controls and procedures and additional undeposited receipts were identified. In our prior audit, Report No. 2012-124, *Carter County*, issued in October 2012, we noted property tax receipts of at least \$3,817 were not deposited. Follow-up procedures by the current County Collector and audit work by the State Auditor's office identified an additional \$5,768 was received in the former County Collector's office between November 2009 and July 2012 but not deposited. Information regarding these missing monies has been shared with law enforcement authorities. On October 9, 2012, Jennifer Clark-Williams resigned her position as Carter County Collector. The County Commission and current County Collector continue to review the former County Collector's records and investigate undeposited receipts. The Missouri State Highway Patrol is also investigating the undeposited receipts.

The missing monies were not detected timely because of the significant control weaknesses identified below and in MAR finding number 2, and it is possible additional monies are missing related to the former County Collector's tenure. The current County Collector is in the process of improving and implementing new procedures over receipting and depositing and the County Clerk and County Commission are implementing new review procedures.

1.1 Unrecorded and undeposited receipts

The current County Collector identified property tax receipts totaling \$3,968 were collected, but the corresponding tax bills were shown as unpaid in the property tax system and were included in the delinquent tax books. These receipts were either not entered into the property tax system or deleted from the system. We also determined partial payment and merchant license cash receipts of \$1,800 were collected but not deposited.

Property tax payments are posted to the property tax system and receipts are generated by the system. Unpaid property tax bills are shown as delinquent in the property tax system and included in the delinquent tax books prepared in March. Other miscellaneous receipts including merchant licenses, partial property tax payments, and duplicate receipt payments were recorded by the former County Collector in various other methods such as handwritten on the daily report or on attached notes. Receipts were primarily processed by the County Collector. A part-time clerk assisted the County Collector during the busy months of November and December and in the former County Collector's absence. The former County Collector prepared all deposits and was responsible for all reconciliation procedures.

As provided by state law, the current County Collector does not accept current tax payments until any corresponding delinquent taxes are paid. In November 2012 the current County Collector began sending letters to taxpayers who owed delinquent taxes according to the delinquent tax book, but had paid their current year tax bills. Some taxpayers provided evidence



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they had paid the delinquent taxes; however, the amounts received, totaling \$3,968, were not included in deposits for the dates of the payments. The current County Collector provided copies of the receipt information to the Prosecuting Attorney and Missouri State Highway Patrol and distributed the corresponding amount of monies from the unidentified balance in the former County Collector's bank account with County Commission approval.

In addition, monies received and recorded on manual receipt slips in February, March, and July 2012 were not deposited. Monies receipted on manual receipt slips, issued for two partial payment cash receipts totaling \$1,775, were not deposited. In addition, a \$25 cash merchant license payment was received in March 2012 and the license was issued, but the cash was not deposited. Also, see the Supporting Documentation for Undeposited Receipts Schedule at the end of this report.

Inadequate controls and the absence of proper oversight by the County Commission and County Clerk allowed undeposited receipts to occur without detection.

1.2 Receipting and depositing

Procedures related to receipting and depositing were not sufficient. As a result, some receipts were not accounted for properly.

- Receipts were not always issued for tax payments received and tax payments were not always recorded in the property tax system. The former County Collector was able to enter information into the property tax system, print a receipt, and subsequently delete the record from the system. In addition, the former County Collector sometimes issued non-system receipts including tax statements stamped "paid" and cards or letters certifying taxes were paid instead of properly recording the payments in the property tax system and issuing system generated receipts. Payments not recorded in the tax system were not distributed to the appropriate taxing authorities.
- The method of payment was not accurately recorded in the property tax system for numerous transactions. We reviewed supporting documentation for selected deposits and determined differences were due to data entry errors and the former County Collector entering entire transactions as one method of payment when multiple methods were received. The former County Collector indicated the property tax system did not accept multiple methods of payment; however, while using the same property tax system, the current County Collector has been able to record multiple methods of payment.
- Monies received were not deposited intact or timely. The former County Collector held individual checks or entire deposits when she received post-dated checks or checks for the wrong amount. Monies totaling \$1,133 received on July 7, 2012, were not deposited until July 12, 2012.



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Failure to implement adequate receipting and depositing procedures increases the risk that loss, theft, or misuse of monies received will go undetected. Properly receipting and recording payments, recording method of payment, and intact and timely depositing are necessary to ensure receipts are adequately safeguarded and reduce the risk of loss, theft, or misuse of funds.

1.3 Liabilities

Lists of liabilities were not adequately reconciled with the reconciled cash balance. The former County Collector deposited all receipts into one bank account. Receipts included personal and real estate taxes, merchant licenses, surtax, utility taxes, interest, tax sale proceeds, and protested taxes.

While the former County Collector prepared monthly lists of liabilities and compared the balance to the reconciled cash balance during the audit period, she did not attempt to investigate differences. The former County Collector prepared a list of liabilities as of August 31, 2012, totaling \$36,403, which included August 2012 taxes to be distributed, bank interest, protested taxes, and partial tax payments. At this same date, the reconciled cash balance totaled \$48,764, exceeding identified liabilities by \$12,361. Due to the former County Collector's failure to record some prior overpayments and partial payments (see Report No. 2012-124, *Carter County*, issued in October 2012) it is likely additional unidentified liabilities exist.

Without regular comparison of liabilities to the cash balance, there is less likelihood errors will be identified and the ability to resolve errors is diminished. Differences must be adequately investigated and explained to provide assurance that bank and book balances have been properly reconciled, and that book balances are accurately stated.

1.4 Partial Payments

Procedures and records related to the collection of partial payments were not adequate. The former County Collector accepted partial payments from taxpayers who were unable to pay their tax bills in full. Partial payments were held in escrow in the former County Collector's bank account until the tax bill was fully paid, whereupon the former County Collector recorded the taxes as paid in the property tax system. Total partial payments recorded on the partial payment ledger were \$8,149 as of August 31, 2012. The September 2012 ledger was not completed before the former County Collector resigned.

Partial payments were not consistently recorded on the partial payment ledger and manual receipt slips were not always issued for monies received. A spreadsheet was maintained as a partial payment ledger; however, the spreadsheet was not accurate or complete and did not always agree to manual receipt records. The spreadsheet only listed the taxpayer, the amount paid and a total amount paid, and did not include the date of the payment, total amount of taxes due, or remaining balance. The former County Collector wrote some partial payment receipts on daily batch reports or on



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attached notes; however, this was not consistently done and did not always agree to information in manual receipt records or on the partial payment ledger.

In November 2012, the County Commission decided partial payments for taxes due would no longer be accepted. However, partial payments prior to November 2012 remain in the former County Collector's bank account and need to be resolved.

Without accurate and detailed records for all partial payments collected and balances due, there is little assurance partial payments are properly handled and recorded. A properly maintained partial payment account ledger is crucial in the process of identifying liabilities of the former County Collector.

Recommendations

The County Collector:

- 1.1 And the County Commission investigate unaccounted for receipts and continue to work with law enforcement.
- 1.2 Ensure receipt slips are issued for all monies received, transactions are accurately recorded in the property tax system, and monies received are deposited intact in a timely manner.
- 1.3 Prepare detailed monthly lists of liabilities, reconcile the lists to the reconciled bank balances, and investigate any differences.
- 1.4 Ensure the remaining partial payments activity and balances are accounted for properly in the partial payment ledger.

Auditee's Response

The County Commission provide the following response:

- 1.1 *The County Commission is currently working with and will continue to work with law enforcement.*

The current County Collector provided the following written responses:

- 1.1 *I will continue to document all receipts that are presented to me by taxpayers that correct the back tax books. They will continue to be properly entered into the tax collecting system and deposited. Distribution of these monies will continue to be made to the Treasurer. Documentation will continue to be provided to the State Auditor's Office, the Prosecuting Attorney, and the Highway Patrol Investigator, in consideration of full cooperation.*



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Management Advisory Report - State Auditor's Findings

- 1.2 *There are no receipting methods in the Collector's office which don't utilize the tax collecting software. All receipts are entered into the tax collecting system and the generated receipt is given or mailed to the taxpayer. Additionally, a manual record is kept daily of all receipts to provide ease of balancing at the end of each day. The deposit slip is attached to the daily collections report so that it can easily be determined that each day is in balance.*
- 1.3 *The collector's account is only for collections that are awaiting turnover and monthly interest. There are never protested taxes or partial payments or any other funds that do not belong in the monthly turnover in the account. The account consists of current collections and interest only. On any given day, a report of collections can be pulled from the tax collecting software and can be compared to the balance in quicken/checking account, and they will match. Any discrepancy would be a typographical error or a check not yet entered, and would be discovered immediately and corrected.*
- 1.4 *Since the previous collector's spreadsheet was incomplete and inaccurate, it is impossible to confirm that the partial payment activity is correct. However, I have narrowed it down considerably by determining which accounts appear to be paid but not recorded in the spreadsheet, or in instances where there are no taxes due. We are no longer accepting partial payments by vote of the county commission, so there will be no new accounts moving forward. As the "escrow payments" are utilized by the taxpayers, proper documentation is recorded in a new spreadsheet and paper filing system.*

2. Property Tax System

As similarly noted in our prior audit report, the County Clerk and County Commission did not sufficiently review the former County Collector's activities and, as a result, did not detect some paid taxes reported as delinquent, and also not deposited.

2.1 Delinquent taxes

The County Clerk and the County Commission did not have procedures in place to verify the accuracy of delinquent tax information for the annual settlement prepared by the former County Collector for the year ended February 29, 2012, and did not require the former County Collector to provide supporting documentation for the amounts included on annual settlements. The lack of a review allowed paid taxes to be improperly reported as delinquent (see MAR finding number 1) and related monies are missing. As noted in Report No. 2012-124, *Carter County*, issued in October 2012, the former County Collector also did not have a detailed listing to support approximately \$63,000 in taxes owed for the 2006 tax year or prior.



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Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the current and delinquent tax books and charge the County Collector with the amount of taxes to be collected. If it is not feasible for the County Clerk to prepare the tax books, at a minimum, the accuracy of the tax books should be verified and approval of the tax book amounts to be charged to the County Collector should be documented. Because the County Collector is responsible for collecting property taxes, good internal controls require someone independent of that process be responsible for reviewing the accuracy of delinquent property tax books.

2.2 Account book and additions and abatements

The County Clerk did not maintain a complete and accurate account book summarizing all property tax transactions each month and addition and abatement reviews were not always documented. As of November 2012, the County Clerk's 2012 tax year account book spreadsheet did not include taxes charged to the County Collector to be collected. The account book was not used to periodically reconcile taxes with the County Collector, and was only used to reconcile tax additions and abatements. Although, the County Commission reviews addition and abatement amounts each month, the July and September 2012 court orders were not signed by the County Commission to document approval.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. The account book prepared by the County Clerk should be used to ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate and should also 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 and are necessary to ensure effective reviews of delinquent tax amounts and monthly and annual settlements are performed. Sections 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making corrections to the tax books with the approval of the County Commission. Documented reviews and timely approvals of court orders help ensure changes are proper.

Recommendations

The County Clerk and County Commission:

- 2.1 Review the accuracy of the delinquent tax information and ensure information is adequately documented.
- 2.2 Review the accuracy and completeness of the County Collector's monthly and annual settlements. This could be accomplished by the County Clerk maintaining a complete and accurate account book with the County Collector of all tax book charges and credits. In addition, the County Commission should document approval of tax addition and abatement court orders.



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Management Advisory Report - State Auditor's Findings

Auditee's Response

The County Commission and County Clerk provided the following response:

2.1

&2.2 *The County Commission reviews the current County Collector's records of receipts and deposits and monthly settlements. The County Commission tried to review the former County Collector's tax information; however, the records provided by the former County Collector were not adequate.*

The County Clerk provided the following response:

2.2 *I will try to include all information on the account book and provide all additions and abatements to the Commission for their review.*

Carter 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).

Jennifer Clark-Williams served as County Collector until October 9, 2012. Deborah Turley was appointed the Carter County Collector and sworn into office on October 26, 2012.

The former County Collector received compensation of \$18,152 for the period March 1, 2012, to October 9, 2012. Compensation was in accordance with statutory provisions.

American Recovery and
Reinvestment Act 2009
(Federal Stimulus)

The Carter County Collector did not receive any federal stimulus monies during the period of March 1, 2012, to October 9, 2012.

Carter County Collector and Property Tax System

Supporting Documentation for Undeposited Receipts

The following tables provide supporting documentation for the missing monies noted in Management Advisory Report finding number 1.

Listed as Delinquent Tax but Determined to be Paid by the County

Date Received	Receipt Number	Amount Received
November 30, 2009	(1)	\$ 14*
December 14, 2009	(1)	61
December 16, 2009	(2)	316
December 30, 2009	(1)	527
December 31, 2009	(3)	358
June 15, 2010	(3)	209
November 12, 2010	(1)	66
December 31, 2010	(3)	485
December 31, 2010	(3)	225
December 1, 2011	(2)	556
January 19, 2012	(1)	317
March 26, 2012	2011003735	788
April 17, 2012	(2)	46
Total		\$ 3,968

- (1) The paid tax receipts issued from the property tax system for these transactions do not have receipt numbers on them.
- (2) The taxpayer's tax statement with stamped "paid" and issued as a non-system receipt and the transaction was not entered into the property tax system.
- (3) The taxpayer did not have a paid tax receipt from the property tax system, but presented a non-system receipt showing the former County Collector certified all taxes were paid. The county considers this sufficient evidence that the taxes were paid.

* Only \$1 of a \$15 payment was receipted and deposited. The remaining \$14 is considered received but not deposited.

Partial Payment Amounts Received but Not Deposited

Date Received	Manual Receipt Number	Amount Received
February 8, 2012	544802	\$ 575*
July 23, 2012	544822	1,200
Total		\$ 1,775

* The partial payment manual receipt was written for \$800 in cash; however, only \$225 was deposited. The remaining \$575 is considered received but not deposited.

Merchant License

Date Received	License Number	Amount Received
March 22, 2012	35	\$ 25
Total		\$ 25