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Missouri State Auditor

Livingston County Collector- Treasurer and Property Tax System



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Livingston County Collector-Treasurer 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-Treasurer of Livingston County on April 1, 2014. A successor was appointed and sworn into office effective April 2, 2014. The scope of our audit included, but was not necessarily limited to, the year ended February 28, 2014, and the period from March 1, 2014, to April 1, 2014.
County Collector-Treasurer's Procedures	As discussed in several prior audit reports, the County Collector-Treasurer did not have a procedure throughout the audit period to reconcile the available cash balance to existing month-end liabilities.
Computer Controls	The County Collector-Treasurer has not established adequate password controls to reduce the risk of unauthorized access to office computers and data. Security controls are not in place to shutdown a computer after a certain period of inactivity or lock it after a specified number of incorrect logon attempts.

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

*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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Livingston County Collector-Treasurer and Property Tax System

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THOMAS A. SCHWEICH

Missouri State Auditor

To the County Commission
and
County Collector-Treasurer
Livingston County, Missouri

We have audited the County Collector-Treasurer and Property Tax System of Livingston 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 April 1, 2014, a vacancy occurred in the office of the County Collector-Treasurer of Livingston County. A successor was appointed and sworn into office effective April 2, 2014. The scope of our audit included, but was not necessarily limited to, the period from March 1, 2014, to April 1, 2014, and the year ended February 28, 2014. 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; 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-Treasurer and county management and was not subjected to the procedures applied in our audit of the County Collector-Treasurer 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-Treasurer. For the areas audited, we identified (1) deficiencies in internal controls, and (2) no significant noncompliance with legal provisions. The accompanying Management Advisory Report presents our findings arising from our audit of the County Collector-Treasurer and Property Tax System of Livingston 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:	Randall Gordon, M.Acct., CPA, CGAP
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In-Charge Auditor:	Julie A. Moulden, MBA, CPA

Livingston County Collector-Treasurer and Property Tax System Management Advisory Report State Auditor's Findings

1. County Collector-Treasurer's Procedures

As similarly discussed in several prior audit reports, the County Collector-Treasurer did not have a procedure throughout the audit period to reconcile the available cash balance to month-end liabilities. Based on our review, the reconciled bank account balance of \$166,288 exceeded identified liabilities of \$165,535 by \$753 as of March 31, 2014. The County Collector-Treasurer's office processed property tax collections of approximately \$12 million during the year ending February 28, 2014.

Without a regular comparison of liabilities to the reconciled 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.

Recommendation

The County Collector-Treasurer prepare monthly lists of liabilities, reconcile the lists to the available cash balance, and promptly investigate any differences.

Auditee's Response

The County Collector-Treasurer provided the following response:

I will prepare a listing of liabilities monthly, compare it to the reconciled bank balance beginning with the July 2014 reconciliation, and investigate any differences identified.

2. Computer Controls

The County Collector-Treasurer has not established adequate computer controls. As a result, the County Collector-Treasurer's office records are not adequately protected and are susceptible to unauthorized access.

2.1 Password controls

The County Collector-Treasurer has not established adequate password controls to reduce the risk of unauthorized access to office computers and data. Only the County Collector-Treasurer's computer is set up to ensure passwords are changed periodically. Passwords are not required to be changed on a periodic basis for the other 3 computers in the office.

The security of a computer password is dependent upon keeping passwords confidential. However, since passwords do not have to be periodically changed, there is less assurance passwords are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be unique and confidential and changed periodically to reduce the risk of unauthorized access to and use of computers and data.

2.2 Security controls

Security controls are not in place in the County Collector-Treasurer's office to shutdown a computer after a certain period of inactivity or lock it after a specified number of incorrect logon attempts. Inactivity controls are necessary to reduce the risk of unauthorized individuals accessing an unattended computer and having potentially unrestricted access to programs



Livingston County Collector-Treasurer and Property Tax System Management Advisory Report - State Auditor's Findings

and data files. Logon attempt controls lock the capability to access a computer after a specified number of consecutive invalid logon attempts and are necessary to prevent unauthorized individuals from continually attempting to logon to a computer by guessing passwords. Without effective security controls, there is an increased risk of unauthorized access to computers and the unauthorized use, modification, or destruction of data.

Recommendations

The County Collector-Treasurer:

- 2.1 Require unique passwords for each employee that are confidential and periodically changed to prevent unauthorized access to computers and data.
- 2.2 Require each employee's computer to have security controls in place to shutdown the computer after a certain period of inactivity and lock it after a specified number of incorrect logon attempts.

Auditee's Response

The County Collector-Treasurer provided the following response:

I am in the process of working with our IT professional to implement these recommendations.

Livingston County Collector-Treasurer and Property Tax System Organization and Statistical Information

The County Collector-Treasurer bills and collects property taxes for the county and most local governments. Pursuant to Section 54.030, RSMo, the term for which collector-treasurer's are elected expires on the first day of April. Annual settlements are to be filed with the county commission for the fiscal year ended February 28 (29).

Martha Peery served as County Collector-Treasurer until April 1, 2014. Paula McCoy was appointed the County Collector-Treasurer and sworn into office on April 2, 2014.

The County Collector-Treasurer received compensation of \$4,210 for the period March 1, 2014 to April 1, 2014. During the year ended February 28, 2014, the County Collector-Treasurer received compensation of \$54,813. Compensation was in accordance with statutory provisions.