



Office of Missouri State Auditor  
**Nicole Galloway, CPA**

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**Wright County Collector and  
Property Tax System**



**Nicole Galloway, CPA**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the Wright County Collector and Property Tax System

Background	Former Wright County Collector Cynthia Cottengim pleaded guilty to forgery charges and resigned from her position in July 2016. Linda Outersky was appointed to the position in August. State law requires an audit be conducted after a vacancy occurs in the office of the county collector.
Unsupported Recorded Transactions and Questionable Transactions	The County Collector recorded property tax payments for herself and her family members totaling \$2,686 that could not be traced to a deposit. The County Collector changed the month/year used for the penalty, commission, and fee calculation in the property tax system for herself and her son, in order to reduce the amount of penalties, commissions, and fees paid. The County Collector or the former Deputy County Collector also changed the month/year for other taxpayers accounts, including a neighbor. These changes resulted in \$3,788 in penalties, commissions, and fees not being charged. The County Collector did not follow the established county procedures to support and document the issuance of a personal property tax waiver to her daughter.
City Commissions	The County Collector was not calculating and withholding commissions from city taxes in compliance with city contracts and had not updated contracts with each of the cities. Commissions totaling \$519 were over withheld and personally retained by the County Collector. The County Collector improperly withheld and personally retained \$174 in commissions on railroad and utility taxes and payments in lieu of taxes collections pertaining to cities.
County Collector's Controls and Procedures	The County Collector did not take steps to oversee day to day operations of her office and did not timely perform her assigned duties. The County Collector's office did not always use the actual date of receipt when recording payments and did not account for the numerical sequence of transaction numbers. The County Collector did not have adequate procedures for receipting, recording, and depositing monies. Bank reconciliations for the main bank account were not complete and accurate. For the partial payment/bankruptcy bank account, the list of liabilities was not complete and accurate, and a running book balance was not maintained. The County Collector transferred incorrect amounts of money between the main bank account and the partial payment/bankruptcy bank account and these errors were not corrected. The County Collector did not always record payments on the partial payment log, agree the log to the manual receipt records, follow up on inactive partial payments, and record tax payments timely once full payment of taxes had been received. The County Collector did not have adequate procedures in place to ensure non-sufficient funds (NSF) checks are collected or to make adjustments to the distribution of tax collections, and NSF checks were not reversed in the property tax system to reflect amounts still owed by taxpayers. Some daily abstracts, deposit information, and bank statements could not be located.

Property Tax System Controls and Procedures

The County Collector's annual settlements were not filed or not filed timely and were not accurate. Neither the County Clerk nor the County Commission adequately reviewed the financial activities of the County Collector. The County Clerk did not maintain an account book or other records summarizing property tax charges, transactions, and changes. In addition, the County Clerk and County Commission did not perform procedures to verify the accuracy and completeness of the County Collector's annual settlements. The County Clerk did not prepare the back (delinquent) tax aggregate abstracts timely. The 2015 delinquent real property tax books were not accurate and contained real delinquent property taxes for the 2002 through 2010 totaling \$59,853. The County Collector did not always apply tax payments to the oldest delinquent taxes first, in violation of state law. The County Commission did not review and approve additions to property assessments. The County Commission does not receive the manual forms prepared by the County Assessor's office, the orders of additions prepared by the County Clerk's office, or reports of actual additions made to the property tax system. A comparison of the individual abatements reviewed and approved by the County Clerk and County Commission to the actual changes made in the property tax system by the County Collector was not performed. An independent review of reversal transactions made in the property tax system was not performed.

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.

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## **NICOLE GALLOWAY, CPA**

### **Missouri State Auditor**

To the County Commission  
and  
County Collector  
Wright County, Missouri

We have audited the County Collector and Property Tax System of Wright County in fulfillment of our duties under Section 29.230, RSMo. Additionally, 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 July 26, 2016, a vacancy occurred in the office of the County Collector of Wright County. A successor was appointed on August 16, 2016, and sworn into office on August 17, 2016. The scope of our audit included, but was not necessarily limited to, the period of March 1, 2016, to July 26, 2016, and the year ended February 29, 2016. 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.

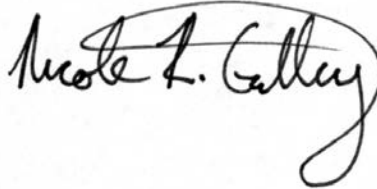
Our methodology included reviewing policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We 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 applicable contract, grant agreement, 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 owed 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 Wright County.

An additional report, No. 2016-118, *Wright County*, was issued in November 2016.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping "y" at the end.

Nicole R. Galloway, CPA  
State Auditor

The following auditors participated in the preparation of this report:

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# Wright County Collector and Property Tax System Management Advisory Report State Auditor's Findings

## 1. Unsupported Recorded Transactions and Questionable Transactions

The County Collector recorded \$2,686 in property tax payments for herself and her family members that could not be traced to a deposit and were unsupported. The County Collector changed the month/year used for the penalty, commissions, and fee calculation in the property tax system for herself and her son. The County Collector or the former Deputy County Collector also changed the month/year of the penalty, commissions, and fee calculation of other taxpayers accounts, including a neighbor. As a result, \$3,788 in penalties, commissions, and fees were not charged. An unsupported non-assessment waiver was issued by the County Collector to her daughter.

On July 26, 2016, Cynthia (Cindy) Cottengim plead guilty to forgery charges and resigned her position as Wright County Collector. The scope of our audit included, but was not necessarily limited to the year ended February 29, 2016, and period March 1, 2016, through July 26, 2016. After the identification of significant concerns regarding tax payments recorded on accounts of the former County Collector and her family members, we applied limited audit procedures to tax payment transactions recorded for the period January 1, 2012, through February 28, 2015, for the purpose of identifying other unsupported recorded transactions and questionable transactions. We referred to Cindy Cottengim throughout the report as the County Collector.

### 1.1 Unsupported recorded transactions

The County Collector recorded property tax payments in the computerized property tax system for herself and her family members totaling \$2,686 as noted in the following table. These tax payments could not be traced to a deposit, and the County Collector nor her family members could provide canceled checks or other documentation as proof of payment or that the monies were deposited.

Tax Account	Date Recorded	Transaction Number	Tax Year	Type of Tax	Method of Payment Recorded	Amount of Recorded and Undeposited Tax Payments
County Collector's daughter	12/22/2012	201200005258	2012	Personal	Check	\$ 84
County Collector's son	12/22/2012	201200005258	2011	Personal	Check	74
County Collector	4/29/2013	201300002865	2012	Personal	Check	177
County Collector's son	7/1/2013	201300003429	2010*	Real	Check	429
County Collector	1/11/2014	201400001329	2013, 2012	Real and personal	Check	657
County Collector's daughter	3/31/2014	201400002937	2013	Personal	Check	85
County Collector's son	7/7/2014	201400003979	2011*	Real	Check	392
County Collector	2/27/2015	201500001773	2014	Real and personal	Check	111
County Collector	2/27/2015	201500001774	2014	Real	Check	282
County Collector's son	2/27/2015	201500001775	2012*	Real	Check	395
Total						\$ 2,686

\* Property eligible to be sold during the tax sale in August of the respective year, due to 3 years of delinquent taxes.



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After identifying the 2015 transactions recorded in the property tax system, we tried to verify the payments occurred and were deposited. While transactions issued before and after these payments were included in deposit reports and were deposited, deposit reports including these transactions could not be located, and we could not trace these tax payments to deposits. Since we could not trace these recorded tax payments to deposit, we applied the same procedures to recorded tax payments of the County Collector and her children from 2012 to 2014.

We contacted the County Collector on September 1, September 20, and September 27, 2016, requesting she provide us documentation regarding the payments and deposits for these transactions by September 30, 2016. However, she provided us no documentation. In addition, on October 13, 2016, we mailed a letter to the County Collector's son and daughter requesting they provide us documentation regarding the payments for their properties by October 27, 2016. However, they provided us no documentation.

As a result of the County Collector's son's taxes shown as being paid, her son's property was not included in the tax sales conducted in August 2013, 2014, and 2015 for failure to pay property taxes in accordance with state law. Section 140.160.1, RSMo, provides for the sale of real property in August of each year when taxes have not been paid for 3 years.

To ensure all monies received are properly recorded, collected, and deposited, and reduce the risk of loss, theft, or misuse of funds, the tax accounts of the County Collector and her family members should be independently reviewed.

### 1.2 Property tax system changes

The County Collector changed the month/year used for the penalty, commissions and fee calculation in the property tax system for herself and her son from the current month/year to a previous month/year. As a result, penalties, commissions, and fees paid, if any, were less than the amount due based on the actual date of payment for her delinquent tax account and her son's delinquent tax account. The County Collector or the former Deputy County Collector also changed the month/year of the penalty, commissions, and fee calculation in the property tax system of other taxpayers accounts, including a neighbor, and did not assess penalties, commissions, and fees due on their delinquent taxes.

- The County Collector recorded her 2011 real property taxes totaling \$251 on December 31, 2012, and then changed the month/year of the penalty, commission, and fee calculation to December 2011 in the property tax system. As a result, no penalties, commissions, and fees were paid although \$66 would have been due as of December 31, 2012.





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- The County Collector recorded her son's 2013 real property taxes totaling \$278 including penalties, commissions, and fees of \$25 in the tax system on July 6, 2016, and then changed the date of the transaction (receipt) in the property tax system to June 30, 2016. However, the month/year in the property tax system used to calculate penalties, commissions, and fees was changed to January 2014 to avoid paying the full amount of \$163 in penalties, commissions, and fees due based upon the June 30, 2016, recording date. As a result, \$138 in penalties, commissions, and fees was not paid based upon the June 30, 2016, date. An additional \$6 in penalties, commissions, and fees would have been due if the July receipt date had been used.
- In October 2015, the County Collector changed the month/year in the property tax system used to calculate penalties, commissions, and fees so her neighbor did not have to pay any penalties, commissions, and fees totaling \$212 on real property taxes due for 2014 (\$77) and 2013 (\$135). The month/year for the 2014 taxes was changed from October 2015 to December 2014 and the month/year for the 2013 taxes was changed from October 2015 to December 2013.
- The former Deputy County Collector wrote an undated note to a taxpayer indicating that the County Collector said there would be no interest charged on her delinquent taxes. The taxpayer subsequently paid her 2014 taxes totaling \$340 by check in September 2016 (after the County Collector's resignation), and attached the note to indicate the interest due was waived. The tax statement included with the check indicated \$495 was due, if payment was made in September 2016, resulting in penalties, commissions, and fees due and not paid of \$155.

We identified numerous other instances where the County Collector or the former Deputy County Collector changed the month/year in the property tax system used to calculate penalties, commission, and fees due. During the period March 1, 2016, through July 26, 2016, and during the year ended February 29, 2016, the County Collector or the former Deputy County Collector changed the month/year in the property tax system used to calculate penalties, commissions, and fees, from 2 months to 58 months prior to the date of the actual payment on 127 tax bills which reduced penalties, commissions, and fees owed by \$3,788. One of these taxpayers was not assessed penalties, commissions, and fees totaling \$555.

Section 139.100.1, RSMo, requires the County Collector to collect a penalty on delinquent taxes owed by a taxpayer as provided for in Section 140.100, RSMo. Section 140.100, RSMo, requires an 18 percent penalty be charged for each year's delinquent tax, in addition to the amount of the delinquent tax. To ensure all penalties, commissions, and fees due are properly charged



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and collected, a report of changes made to the penalty, commissions, and fee calculation dates should be generated and independently reviewed.

### 1.3 Non-assessment waiver

The County Collector did not follow the established county procedures to support and document the issuance of a non-assessment waiver on July 15, 2016, to her daughter for her 2015 personal property taxes. Documentation was not on file in the offices of the County Assessor or County Collector supporting the issuance of this non-assessment waiver.

The County Collector also issued a non-assessment waiver in August 2015, to her daughter for her 2014 personal taxes, and documentation supported its issuance.

A non-assessment waiver is obtained to aid in licensing a vehicle recently purchased. To receive a non-assessment waiver in Wright County, the County Assessor's office verifies an assessment form was not completed for the applicable tax year and sends a non-assessment form to the County Collector's office. The County Collector's office then verifies and documents the individual does not have any unpaid taxes before issuing a non-assessment waiver. Section 301.025, RSMo, provides for the County Collector to issue a statement that no taxes were assessed or due for vehicles being licensed.

### Conclusion

Inadequate controls and the absence of proper oversight identified in MAR finding numbers 1, 2, 3, and 4 allowed unsupported recorded transactions to occur, the tax system to be changed, and an unsupported non-assessment waiver to be issued without detection. As a result, there is no assurance all property taxes and any related penalties, commissions, and fees due were properly assessed, collected, and deposited.

The County Collector's office is a 2-full-time person office, making proper segregation of accounting duties difficult. Due to the lack of oversight in the office, it is even more important for the County Commission and County Clerk to perform the checks and balances provided by state law.

### Recommendations

The current County Collector:

- 1.1 And the County Commission work with law enforcement to investigate the unsupported recorded tax payments, seek reimbursement of any unsupported payments, or adjust the property tax system to show current amounts due. The current County Collector should also ensure any real properties qualifying for sale are sold at the next tax sale. The County Clerk and County Commission should ensure an independent review of the tax accounts of the County Collector and her family members is performed and documented.



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- 1.2 And the County Commission work with law enforcement to investigate the changes made to the property tax system and consider seeking reimbursement of unpaid penalties, commissions, and fees. The County Clerk and County Commission should ensure a report of changes made to the property tax system is generated and an independent review is performed and documented.
- 1.3 And the County Clerk and County Commission should ensure an independent review of non-assessment waivers is performed and documented.

## Auditee's Response

- 1.1 *The County Commission has already met with the Wright County Prosecuting Attorney and discussed the findings of the audit and other discrepancies found when bringing the tax books up-to-date and in the day-to-day operations of the County Collector's office. The Wright County Prosecuting Attorney has contacted the Office of the Missouri Attorney General and an attorney from that office has been assigned to the case. The County Clerk and the County Commission will request a copy of the tax receipts and deposits of the County Collector, the Deputy County Collector, and their family members to verify payments.*

*The Wright County Collector has already put into place a spreadsheet to investigate any improprieties involving unsupported recorded tax payments. The County Collector discussed real estate properties that will qualify for the next tax sale with the County Assessor and County Commissioners. Taxes shown paid in the computer with no real bank deposit found will be reversed. Those real properties shown to be in arrears will be added to the next tax sale. The County Collector is drafting a new policy regarding the collection of taxes from family members. We no longer collect, write out receipts, or deposit monies from relatives. The Deputy County Collector will process the County Collector's family taxes, and the County Collector will process the Deputy County Collector's family taxes. After payments from family members of the County Collector's office have been collected, copies of checks, money orders, etc. computer receipts, and bank deposits will be provided to the County Clerk and County Commission for their review.*

- 1.2 *The County Collector and County Commission will work with law enforcement to investigate the changes made to the property tax system and will be seeking reimbursement of unpaid penalties, commissions, and fees. The County Clerk and the County Commission will ensure a report of changes made to the property tax system is generated and will perform and document a review of that report.*



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1.3 *The County Commission and the County Assessor have investigated the non-assessment waiver issued to the daughter of the County Collector and determined that although proper procedure was not followed, the waiver was legitimate. The County Clerk and the County Commission are implementing a review of documentation for all non-assessment waivers in the future.*

## 2. City Commissions

Commissions withheld by the County Collector from city collections were incorrectly calculated, and some of these commissions were over/under withheld, and personally retained by the County Collector. In addition, written agreements with the cities had not been updated.

### 2.1 City contracts and related commissions

The County Collector was not calculating and withholding commissions from city taxes in compliance with city contracts and had not updated contracts with each of the cities since 2005 or 2006.

- The County Collector withheld 3 percent instead of 1.5 percent on the City of Norwood current and back (delinquent) taxes for commissions allowed to be personally retained by the County Collector as provided for in the contract. As a result, \$602 was over withheld from the City of Norwood and owed to the city for the period March 1, 2016, through July 26, 2016, and during the year ended February 29, 2016. The County Collector was paid \$519 of the \$602 over withheld personally for the period March 2015 through January 2016, and June 2016, and \$519 is owed back to the city.
- The County Collector did not submit bills for payment of personal commissions due from amounts withheld from cities for February, March, April, May, and July 2016, and as a result the county owes the County Collector \$174 (\$83 - City of Norwood, \$17 - City of Hartville, and \$74 - City of Mansfield).
- The County Collector withheld 3 percent on both current and delinquent taxes of the City of Norwood instead of 2 percent on current taxes and 4 percent on delinquent taxes for commissions to be retained by the county as provided for in the contract. As a result, \$152 was over withheld from the City of Norwood and paid to the county, for the period March 1, 2016, through July 26, 2016, and during the year ended February 29, 2016.
- The County Collector withheld 2 percent on delinquent taxes of the City of Hartville and the City of Mansfield instead of 4 percent on delinquent taxes as provided for in the contract. As a result, \$68 was under withheld from the City of Hartville and \$435 was under withheld from the City of Mansfield and is owed to the county for the period March 1, 2016, through July 26, 2016, and during the year ended February 29, 2016.



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The County Collector also used the incorrect commission percentages in prior years. However, we did not calculate the amounts over/under withheld.

Section 50.332, RSMo, allows county officials, with the approval of the County Commission, to perform certain tax collection services for cities and charge for such services. In addition, Section 432.070, RSMo, requires all such contracts be in writing. Clear, detailed, and timely written agreements are necessary to ensure all parties are aware of the services to be performed and the compensation to be paid for the services.

## 2.2 Railroad and utility taxes and payment in lieu of taxes

The County Collector improperly withheld and personally retained commissions on railroad and utility taxes and payments in lieu of taxes (PILT) collections pertaining to cities.

- The County Collector personally retained \$153 withheld in December 2015 from railroad and utility taxes collected from cities. The collection of railroad and utility taxes is part of the County Collector's statutorily required duties. The County Collector should not have received additional compensation for collecting these taxes.

In addition, the County Collector over withheld commissions retained by the county. The County Collector withheld 3 percent on railroad and utility taxes collected for the city of Norwood and 2 percent on railroad and utility taxes collected for the City of Hartville and the City of Mansfield, instead of 1 percent as provided for by Section 151.280, RSMo. As a result, commissions were over withheld from the city of Norwood totaling \$48, the city of Hartville totaling \$9, and the city of Mansfield totaling \$45, and the county owes these monies to the cities.

- The County Collector improperly withheld and personally retained \$21 of commissions on PILT collected in November 2015 pertaining to the city of Mansfield. The County Collector did not withhold commissions on PILT collected for any other cities.

Section 151.180, RSMo, requires the County Collector to collect all railroad taxes, and Section 153.030 (2), RSMo, requires utility taxes to be collected in the same manner as railroad taxes. There is no statutory authority allowing the County Collector to withhold commissions for PILT; and the contract with the city of Mansfield only provides for compensation based on taxes collected. PILT is not a tax.

## Recommendations

The current County Collector:

- 2.1 And the County Commission seek reimbursement from the former County Collector for the net amount of commissions over withheld and personally retained, and recalculate city tax commissions withheld and distributed and correct distributions. In addition, the



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current County Collector should ensure future commission calculations are accurate, and work with the County Commission to obtain current written agreements with the cities for tax collections.

- 2.2 And the County Commission seek reimbursement from the former County Collector for commissions improperly withheld and personally retained, and reimburse the cities for commissions improperly withheld.

## Auditee's Response

*The County Commission provided the following responses:*

- 2.1 *The County Commission will work with the current County Collector to seek reimbursement from the former County Collector for commissions over withheld and personally retained, and recalculate city tax commissions withheld and distributed and correct distributions. In addition, the current County Collector has obtained written agreements with the cities for tax collections and will ensure future commission calculations are accurate.*
- 2.2 *The County Commission will seek reimbursement from the former County Collector for commissions improperly withheld and personally retained, and will recalculate and reimburse the cities for commissions improperly withheld.*

*The County Collector provided the following response:*

- 2.1 *The cities mentioned will be reimbursed or charged for the incorrect amounts identified. The Deputy County Collector and the County Collector will review taxes collected and commissions withheld for the various cities to ensure they have been done correctly. This information will also be included in a folder given monthly to the County Commission for review. New county/city written agreements have been completed and signed by the proper city and county officials.*

## 3. County Collector's Controls and Procedures

### 3.1 Receipt dates and transaction number sequence

Significant weaknesses existed in the County Collector's accounting controls and procedures. Property taxes and other monies collected by the County Collector totaled approximately \$7.4 million during the year ended February 29, 2016.

The County Collector's office did not always use the actual date of receipt when recording payments and did not account for the numerical sequence of transaction (receipt) numbers assigned by the computerized property tax system.

The computerized property tax system sequentially assigns a transaction number for payments received by the County Collector's office. However,



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the system allows users to backdate payments posted in the system, resulting in transaction numbers being out of order. For example, if a mailed in payment was postmarked with a date prior to the month it was entered into the computer system, the County Collector could backdate the date of receipt in the system to the postmarked month for the payment. The proper procedure for recording these type of payments is to record the payment on the date received in the property tax system, but change the month/year used for the penalty, commission, and fee calculation. This control weakness allowed for possible manipulation of receipt data.

To ensure all monies received are properly recorded and deposited, and reduce the risk of loss, theft, or misuse of funds, consideration should be given to modifying the software program to ensure an audit trail of changes made in the property tax system is maintained and adequate controls are in place to allow the County Collector's office to account for the numerical sequence of transaction numbers.

### 3.2 Receipting, recording, and depositing

The County Collector did not have adequate procedures for receipting, recording, and depositing monies.

- Manual receipt slips were not issued for bankruptcy payments and some partial payments.
- Manual receipt slips issued for property tax payments collected on behalf of other counties did not indicate the amount collected or the method of payment. These tax payments were also not deposited, but mailed/transmitted to the County Collector's office in the applicable county and documentation of the transmittal was not retained.
- Manual receipt slips were not reconciled with payments posted to the property tax system, the partial payment log, or to transmittals to other counties to ensure all monies received were properly recorded and distributed.
- The County Collector did not always record payments to the correct taxpayer's account and did not make adequate corrections to reflect amounts still owed by taxpayers. For example, in November 2014 a taxpayer made payments for his current year real and personal property taxes; however, the County Collector posted the payments to another taxpayer's real property account and issued a refund check erroneously for the differences in amounts due. The original taxpayer was later notified that his taxes were delinquent and contacted the county and provided proof of payment. The County Collector corrected the original taxpayer's account in May 2015, but did not reverse the payment incorrectly posted to the other taxpayer's account.



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## Wright County Collector and Property Tax System Management Advisory Report - State Auditor's Findings

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- Monies received were not always deposited intact or timely. For example, the County Collector wrote a personal check for \$303 and recorded this payment for her son's 2013 real property taxes in the property tax system on July 6, 2016, (with the date paid in the system dated as June 30, 2016); however, the check was held and not deposited until July 26, 2016. Other tax payments received on July 6, 2016, were deposited on July 7, 2016. In another example, a partial payment of \$3,500 was received on July 13, 2016, but remained on hand at July 26, 2016, when the County Collector resigned from office.

Failure to implement adequate receipting, recording, and depositing procedures increases the risk that loss, theft, or misuse of monies received will go undetected.

### 3.3 Bank reconciliations

Bank reconciliations prepared by the County Collector for her main bank account were not complete and accurate and a running book balance was not maintained for the partial payment/bankruptcy bank account. In addition, the County Collector did not prepare bank reconciliations for the main bank account from May 2016 to July 2016, and did not prepare the February, March, and April 2016 bank reconciliations until July 2016. Similar timely bank reconciliation preparation issues were occurring with the County Collector's other 2 bank accounts. Also, the County Collector transferred monies between the main bank account and partial payment/bankruptcy bank account in error and did not subsequently correct these errors.

The February 2016 bank reconciliation prepared by the County Collector for the main account was not accurate. Several deposits totaling \$7,147 were included on the computer generated bank reconciliation as uncleared but had previously cleared the bank. Some of these uncleared deposits actually cleared the bank as far back as December 2013. In addition, other credits or reconciling items included on the bank reconciliation were not supported. The inclusion of the cleared deposits and unsupported reconciling items on the bank reconciliation helped conceal the unsupported recorded transactions.

Additionally, the County Collector attempted to transfer \$1,166 of taxes paid in full in 2014 and \$188 of taxes paid in full in 2015 from the partial payment/bankruptcy bank account to the main bank account; however, she transferred these monies from the main bank account to the partial payment/bankruptcy bank account and never corrected the error. As a result \$2,708 is owed to the main account from the partial payment/bankruptcy account. The County Collector made numerous notes on accounting records of other monies maintained in the partial payment/bankruptcy account that needed to be transferred to the main bank account for full payment of tax accounts; however, these monies were never transferred. In addition, partial payments made by credit card were direct deposited into the main account





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and were not always transferred to the partial payment/bankruptcy bank account.

Because book balances and the related accounting records were not accurately maintained, shortages in the main account and partial payment/bankruptcy account could not be readily verified.

The preparation of complete and accurate monthly bank reconciliations and an adequate review of the reconciliations is necessary to ensure all monies have been properly deposited and transferred between accounts, accounting records are in balance, and to identify errors timely. Prompt follow up on differences and correction of errors is necessary to ensure monies are properly handled.

### 3.4 Liabilities

The list of liabilities prepared by the County Collector for her partial payment/bankruptcy bank account was not complete and accurate. The February 2016 list of liabilities prepared by the County Collector for the partial payment/bankruptcy bank account also included unsupported reconciling items.

Accurate listings of open items are necessary to ensure receipts and disbursements are accounted for properly and to ensure records are in balance and monies are available to satisfy all liabilities.

### 3.5 Partial payments

The County Collector did not always record payments on the partial payment log, agree the log to the manual receipt records, follow up on inactive partial payments, and record payments of taxes in the property tax system timely once full payment of taxes had been received.

The County Collector accepted partial payments from taxpayers who were unable to pay their tax bills in full. The County Collector held these payments in escrow in the partial payment/bankruptcy bank account until the tax bill was fully paid, whereupon she would record the taxes as paid in the property tax system and transfer the tax amount to the main bank account. According to the partial payment ledger, the County Collector held partial payments of \$9,505 as of February 29, 2016. The County Collector did not update the ledger from April through July 2016 before her resignation.

Of the 39 taxpayers with partial payments held by the County Collector on February 29, 2016, 18 had not had any activity for over a year, with 2 not having any activity since 2012. We noted partial payments for 2 taxpayers could have been applied to taxes due because the full payment had been received. However, these taxes remain listed as delinquent in the tax system.

Without accurate and detailed records for all partial payments collected and balances due, there is little assurance these payments are properly handled



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and recorded. To reduce the risk of loss, theft, or misuse of funds, a complete and accurate partial payment account ledger should be maintained by the County Collector.

### 3.6 Non-sufficient funds checks

The County Collector did not have adequate procedures in place to ensure non-sufficient funds (NSF) checks were collected, adjustments were made to the distribution of tax collections, and NSF checks were properly reversed in the property tax system to reflect amounts still owed by taxpayers. As a result, the County Collector's office may be unaware additional tax is due.

The County Collector's office did not always reverse NSF checks in the property tax system to indicate the taxpayer's check was returned and payment was still due from the taxpayer. In addition, adjustments were not made to deduct NSF check amounts from monthly disbursements of tax collections to the county and other political subdivisions. Restitution for NSF checks may not be received until several months after the payment was initially collected and, in some instances, restitution may never be received. As a result, the office needs records to track the repayment status of NSF checks.

Without adequate procedures for the collection and recording of NSF checks, the County Collector's office cannot ensure amounts due from taxpayers are properly tracked.

### 3.7 County Collector duties

The County Collector did not take steps to oversee day to day operations of her office and did not timely perform her assigned duties, which resulted in a lack of segregation of duties. During our audit (April to July 2016), the County Collector was frequently not at the office.

The County Collector was responsible for performing the duties of receiving, recording, and depositing receipts, reviewing employee deposits, reconciling bank accounts, and preparing monthly settlements and annual settlements. Many of these duties require a physical presence in the office in order to access the property tax system. As noted in section 3.3, bank reconciliations were not performed timely or accurately, and in MAR finding number 4.1, the annual settlement for the tax year ending February 29, 2016, had not been prepared by the County Collector as of her resignation date of July 26, 2016.

The County Collector's absence created staffing issues because sufficient personnel were not present to ensure all duties could be properly performed, appropriately segregated, independently reviewed, and done timely. Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews



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of the accounting and bank records are essential and should include comparing daily receipt activity to deposits.

### 3.8 Record retention

Some daily abstracts, deposit information, and bank statements could not be located in the County Collector's office. Bank statements were obtained from the bank and transaction (payment) information was obtained from the property tax system vendor.

Retention of records is necessary to ensure the validity of transactions and provide an audit trail. In addition, Section 109.270, RSMo, provides that all records made or received by an official in the course of their public duties are public property and are not to be disposed of except as provided by law.

## Recommendations

The current County Collector:

- 3.1 Work with the computer software vendor to establish controls to account for the numerical sequence of transaction numbers assigned by the computerized property tax system and maintain an audit trail of changes made in the property tax system.
- 3.2 Issue receipt slips for all monies received, record the amount and the method of payment for taxes received on behalf of other counties and document the transmittal of those monies, reconcile manual receipt slips issued to the computerized accounting system, ensure tax payments are accurately recorded and corrections are properly made, and deposit monies intact and timely.
- 3.3 Prepare accurate bank reconciliations, transfer monies between accounts timely, and maintain running book balances. Any errors should be investigated and promptly resolved.
- 3.4 Prepare accurate lists of liabilities monthly for the partial payment/bankruptcy account and agree the reconciled bank balance to the liabilities list. Any differences should be investigated and promptly resolved.
- 3.5 Ensure the partial payment activity and balances are accounted for properly in the partial payment ledger, perform a documented follow up on partial payments with no activity, and apply any taxes paid in full to tax accounts timely.
- 3.6 Ensure a policy is established for the collection of NSF checks and accounting records accurately document the status of accounts involving bad checks.



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3.7 Adequately perform or delegate and oversee the duties of the office, and ensure independent or supervisory reviews of accounting and bank records are performed and documented.

3.8 Retain records in accordance with state law.

3.1 *We have already talked with our software vendor to establish controls to account for the numerical sequence of transaction numbers assigned by the computerized property tax system in order to maintain an audit trail.*

3.2 *Handwritten receipt slips will only be issued for bankruptcy payments made. The County Collector's office no longer allows the taxpayer to make partial payments for personal or real estate taxes, thus no handwritten receipt slips are needed. Other than bankruptcy payments, the only time a handwritten receipt slip will be necessary is during a power outage affecting the computers for a period of longer than 15 minutes. When the outage is over, a computerized receipt slip will be completed immediately and mailed to the payee. We will reevaluate the procedures to collect taxes for other counties. Any mistakes made and found will be corrected immediately. Proper documentation will be made and attached to the daily reconciliation report. All payments received will be deposited to the bank on a daily basis. Deposits delivered in night deposit after 4:30 p.m, may not show deposited until the next business day.*

3.3 *We will prepare accurate bank reconciliations, transfer monies between accounts timely, maintain running book balances, and reconcile cash balances to the list of liabilities. Any differences will be investigated and promptly resolved.*

3.4&

3.5 *The County Collector's office will no longer accept partial payments. As soon as monies from this partial payment/bankruptcy account have been accounted for, it will be closed and partial payments applied to accounts. A new account will be opened to handle monies collected related to bankruptcies and another account will be opened to handle protested taxes received. A spreadsheet will be kept of all bankruptcy or protested monies received. Any differences between the spreadsheet and the bank accounts will be investigated and promptly resolved.*

3.6 *A policy has already been put into place for the collection of NSF and stop payment checks. Beginning immediately, a log will be kept on all checks that are returned to this office, with names, dates, amounts, and adjustments.*



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3.7 *Supervisory reviews of accounting records are currently performed daily and documented.*

3.8 *Records are being retained in accordance with state law.*

## 4. Property Tax System Controls and Procedures

Controls and procedures over the property tax system need improvement.

### 4.1 Annual settlements

The County Collector's annual settlements were not filed or not filed timely and were not accurate. The County Collector did not prepare and file an annual settlement for the year ended February 29, 2016, with the County Commission. The annual settlement for the year ended February 28, 2015, was not filed with the County Commission until June 8, 2015. In addition, this settlement was not complete and accurate.

- Personal property tax abatements totaling \$19,192 recorded on the annual settlement for the 2014 tax year did not agree to the related abatements totaling \$21,285 recorded in the tax system. This resulted in a difference of \$2,093.
- Personal property tax abatements and corresponding assessment penalties totaling \$5,754 recorded on the annual settlement for the 2013 tax year and before did not agree to the related abatements and assessment penalties totaling \$2,095 recorded in the tax system. This resulted in a difference of \$3,659.
- Outlawed 2009 real property taxes for mobile homes totaling \$6,949 and 2009 personal property taxes and related assessment penalties totaling \$9,258 were recorded on the annual settlement; however, the taxes were not removed from the delinquent tax books and the County Commission did not approve outlawing these taxes.

To help ensure the validity of 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 complete and accurate annual settlements timely. Section 139.160, RSMo, requires the County Collector to annually settle with the County Commission the accounts of all monies received from taxes and other sources by the first Monday in March.

### 4.2 Review of property taxes

Neither the County Clerk nor the County Commission adequately reviewed the financial activities of the County Collector. The County Clerk did not maintain an account book or other records summarizing property tax charges, transactions, and changes. In addition, the County Clerk and County Commission did not perform procedures to verify the accuracy and completeness of the County Collector's annual settlements. As a result, there



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is an increased risk of loss, theft, or misuse of property tax monies going undetected, and less assurance the annual settlements are complete and accurate.

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 taxes charged and credited to the County Collector are complete and accurate and could also be used by the County Clerk and the County Commission to verify the County Collector's annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

#### 4.3 Back (delinquent) tax aggregate abstracts

The County Clerk did not prepare the back (delinquent) tax aggregate abstracts timely. The 2015 delinquent tax aggregate abstract was not prepared until May 12, 2016. The 2014 delinquent tax aggregate abstract was not prepared until June 19, 2015, and the 2013 delinquent tax aggregate abstract was not prepared until July 8, 2014. The information needed to prepare these aggregate abstracts was available at the beginning of March of 2016, 2015, and 2014.

Section 137.295, RSMo, provides for the County Clerk to prepare these reports and forward them to the Department of Revenue (DOR) and State Tax Commission (STC) upon completion of back tax books.

#### 4.4 Back (delinquent) tax books

The 2015 back (delinquent) real property tax books (2014 and prior tax years) were not accurate and contained delinquent real property taxes for the 2002 through 2010 tax years totaling \$59,853. The County Clerk indicated these taxes were associated with mobile homes and should have been abated. In addition, the County Clerk did not include delinquent real property taxes for the 2002 through 2009 tax years on her aggregate abstracts and the County Collector did not include these delinquent taxes on her annual settlement.

Section 140.030, RSMo, requires the County Collector to prepare delinquent tax listings. Section 140.040, RSMo, requires the County Commission to examine and correct the listings, and Section 140.050, RSMo, requires the County Clerk to make the listings into delinquent tax books and charge the County Collector with the amount of delinquent taxes to be collected.

#### 4.5 Collection of delinquent taxes

The County Collector did not always apply tax payments to the oldest delinquent taxes first, in violation of state law. The property tax system programmer indicated there is a control in the system that requires tax



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payments be recorded to the oldest delinquent tax account first; however, the County Collector would contact her to request turning off the control. The programmer indicated she would not always remember to turn the control back on after such a request occurred.

Sections 140.110.2 and 140.110.3, RSMo, require payment of personal and real property taxes to be applied to the oldest of any delinquent taxes before accepting payment for current taxes. Without adequate procedures in place to ensure compliance with these statutory requirements, there is an increased risk that personal property taxes could be outlawed and never collected. Additionally, taxpayers may not be aware that real property taxes remain delinquent that could result in increased penalties and interest and could also result in properties being sold at a tax sale.

#### 4.6 Additions and abatements

Controls over property tax additions and abatements were not adequate.

##### Additions

The County Commission did not review and approve additions to property assessments. The County Commission did not receive the manual forms prepared by the County Assessor's office, the orders of additions prepared by the County Clerk's office, or reports of actual additions made to the property tax system. Therefore, an independent comparison of property assessment changes made by the County Assessor to the related changes in the property tax system made by the County Clerk could not be performed by the County Commission.

##### Abatements

A comparison of the individual abatements reviewed and approved by the County Clerk and County Commission to the actual changes made in the property tax system by the County Collector was not performed.

##### Conclusion

The lack of independent verification and approval of changes in the property tax system significantly increases the risk of intentional and unintentional errors and omissions to the property tax books. Because the County Collector is responsible for collecting tax payments, good internal controls require she not have system access rights to be able to alter or delete tax rates, assessed values, and property tax billings. Section 137.260, RSMo, assigns responsibility to the County Clerk for making changes to the tax books under any order made by the County Commission. Section 137.270, RSMo, provides for the County Commission to hear and approve any changes to the tax book. An independent review of approved additions and abatements to changes made to the property tax system would help ensure changes to the property tax system records are proper.

#### 4.7 Reversals

An independent review of reversal transactions made in the property tax system was not performed. The County Collector and the Deputy County Collector would make these transactions to correct errors in posting



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payments to the property tax system. During the year ended February 29, 2016, the County Collector and her deputy made 97 reversal transactions totaling \$27,718.

A reversal transaction was only assigned a transaction number when it was performed before the related collection session closed. Reversal transactions occurring after the collection session closed could only be identified if a reversal transaction report was generated from the property tax system. No one generated these reports and an independent review was not performed of these transactions.

To reduce the risk of errors, loss, theft, or misuse of funds and ensure the validity and propriety of all reversals, reversal transactions should be supported by adequate documentation and independently reviewed and approved.

## Recommendations

- 4.1 The current County Collector file complete and accurate annual settlements timely.
- 4.2 The County Clerk maintain an account book with the County Collector. In addition, the County Clerk and the County Commission should use the account book to review the accuracy and completeness of the County Collector's annual settlements.
- 4.3 The County Clerk prepare and timely file delinquent tax aggregate abstracts with the DOR and STC.
- 4.4 The County Clerk and County Commission ensure the delinquent tax books are accurate.
- 4.5 The current County Collector apply all property tax payments to the oldest taxes due as required by state law and work with the computer programmer to ensure the property tax system applies tax payments received to a taxpayer's oldest taxes due as required by state law.
- 4.6 The County Clerk and the County Commission ensure a comparison of approved additions and abatement to changes made in the computer system is performed and restrict access rights so the County Collector cannot make changes to the tax book system.
- 4.7 The current County Collector ensure an independent documented review of reversals is performed.





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## Auditee's Response

*The County Collector provided the following responses:*

- 4.1 *Every effort will be made to file complete and accurate annual settlements timely.*
- 4.5 *All taxes are presently being applied to the oldest taxes due as required by law, and the office has implemented a program change that only allows the oldest taxes to be collected first.*
- 4.7 *In November 2016, the office will begin printing a report of reversal transactions performed, and an independent review of the transactions will be performed and documented.*

*The County Clerk provided the following responses:*

- 4.2 *An account book will be maintained with the County Collector. The County Clerk and the County Commission will use the account book to review the accuracy and completeness of the County Collector's annual settlement.*
- 4.3 *The County Clerk will prepare and timely file delinquent tax aggregate abstracts with the DOR and STC.*

*The County Clerk and the County Commission provided the following responses:*

- 4.4 *The County Clerk and the County Commission will ensure the delinquent tax books are accurate.*
- 4.6 *The County Clerk and the County Commission will ensure a comparison of approved additions and abatements to changes made in the computer system is performed and will work with the computer programmer to restrict access rights so the County Collector cannot make changes to the tax book system.*

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# Wright County Collector and Property Tax System Organization and Statistical Information

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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).

Cynthia (Cindy) Cottengim served as County Collector until July 26, 2016. Linda Outersky was appointed the Wright County Collector on August 16, 2016, and sworn into office on August 17, 2016.

The County Collector received compensation (including city commissions) of \$16,633 for the period March 1, 2016, to July 26, 2016. During the year ended February 29, 2016, the County Collector received compensation (including city commissions) of \$43,958. Compensation was in accordance with statutory provisions.