



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

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**Taney County Collector and  
Property Tax System**

Report No. 2017-036

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**Nicole Galloway, CPA**  
Missouri State Auditor

# CITIZENS SUMMARY

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

Background	On December 31, 2016, a vacancy occurred in the County Collector's office due to the resignation of Sheila L. Wyatt to become a County Commissioner. The Governor appointed Ramona Cope as County Collector on December 30, 2016 and she was sworn into office on January 3, 2017. State law requires an audit be conducted after a vacancy occurs in the office of the county collector.
County Collector's Controls and Procedures	Receipt slips were not issued for numerous checks held in the County Collector's office at the time of our January 17, 2017, cash count, and some of these checks were received during December 2016. These checks were also not deposited intact or timely, and some of the checks were shredded or mailed back to the taxpayer. Neither the County Collector nor the former County Collector (1) accounted for the numerical sequence of receipt numbers assigned by the computer system, (2) always retained manual receipt slips issued for tax sale proceeds or property tax payments received on the behalf of other counties, or (3) restrictively endorsed checks until the preparation of the deposit. The former County Collector had not established adequate procedures and records related to the collection of partial payments.
Additions and Abatements	The County Clerk and the County Commission did not timely review and approve additions to personal property and some abatements of personal property.
Passwords	Neither the County Collector nor the former County Collector established adequate password controls to reduce the risk of unauthorized access to computers and data.

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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# Taney County Collector and Property Tax System

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## **NICOLE GALLOWAY, CPA**

### **Missouri State Auditor**

To the County Commission  
and  
County Collector  
Taney County, Missouri

We have audited the County Collector and Property Tax System of Taney 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 December 31, 2016, a vacancy occurred in the office of the County Collector of Taney County. A successor was appointed on December 30, 2016, and sworn into office effective January 3, 2017. The scope of our audit included, but was not necessarily limited to, the period March 1, 2016, to December 31, 2016, and the year ended February 29, 2016. The objectives of our audit were to:

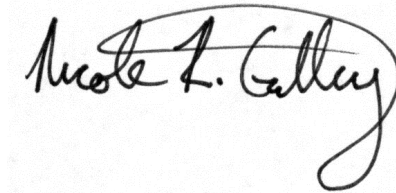
1. Evaluate the county's internal controls over significant property tax functions.
2. Evaluate the county's compliance with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of 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 Taney County.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with the first name "Nicole" and last name "Galloway" clearly legible. The signature is positioned above the printed name and title.

Nicole R. Galloway, CPA  
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	Pamela Allison, CPA
In-Charge Auditor:	Connie James
	Marian Rader, M.Acct., CPA, CFE
Audit Staff:	James C. Kayser
	Daniel W. Clark, M.Acct.

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# Taney County Collector and Property Tax System

## Management Advisory Report

### State Auditor's Findings

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#### **1. County Collector's Controls and Procedures**

Controls and procedures in the County Collector's office need improvement. Property taxes and other monies collected by the former County Collector totaled approximately \$58.9 million during the year ended February 29, 2016. We referred to Shelia L. Wyatt as the former County Collector and Ramona Cope as the County Collector throughout the report.

##### **1.1 Receipting, recording, and depositing**

Procedures for receipting, recording, and depositing monies need improvement.

- Receipt slips were not issued for 67 checks totaling \$37,573 on hand at the time of our cash count on January 17, 2017. Most of these checks had been on hand since before January 6, 2017, and \$11,832 had been on hand since December 2016. The County Collector indicated the office held these checks because (1) the amount paid was incorrect (the payment excluded the interest owed), (2) no bill or a copy of the bill was mailed with the payment preventing scanning the payment into the office's electronic receipting system, or (3) a change (such as a change of address) needed to be made to the taxpayer's account. In addition, these checks were not recorded at the time of our cash count and were not deposited intact or timely. Subsequently, 33 checks totaling \$9,093 were receipted into the property tax system and deposited from January 18, 2017, to February 3, 2017. The County Collector indicated the remaining 34 checks totaling \$28,480 had either been shredded or mailed back to the taxpayer.
- Neither the County Collector nor the former County Collector accounted for the numerical sequence of receipt numbers assigned by the computer system. The 4 collection stations (cash drawers) share the same sequence of receipt numbers; therefore, skipped numbers occur in the receipt number sequence on the daily cash reports generated for each station. No one in the County Collector's office accounts for the numerical sequence of the receipt numbers when reviewing the daily cash reports and preparing deposits.
- Neither the County Collector nor the former County Collector always retained manual receipt slips issued for tax sale proceeds or property tax payments received on the behalf of other counties. As a result, they could not properly account for the numerical sequence of manual receipt slips issued.
- Neither the County Collector nor the former County Collector restrictively endorsed checks until preparation of the deposit.

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



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## 1.2 Partial payments

The former County Collector had not established adequate procedures and records related to the collection of partial payments. During the period March 1, 2016, to December 31, 2016, and the year ended February 29, 2016, the County Collector's office handled partial payments totaling \$391,635.

- The former County Collector did not issue receipt slips for \$47,510 of partial payments received for delinquent taxes. Employees in the former County Collector's office recorded these partial payments on separate spreadsheets for each taxpayer. The former County Collector indicated staff provided taxpayers a copy of their spreadsheet each time a partial payment occurred.
- The former County Collector did not prepare a list of liabilities monthly and did not reconcile the list to the partial payment (installment) bank account monthly. At our request, the County Collector prepared a list of liabilities and reconciled it to the partial payment bank account as of December 31, 2016. The list initially totaled \$25,792, while the reconciled bank balance was \$27,646 resulting in a difference of \$1,854. The County Collector investigated the difference and identified a \$2,079 unrecorded partial delinquent tax payment received and deposited in August 2015. The County Collector also found a \$225 partial payment in an envelope received and recorded in December 2016, but not deposited. The County Collector corrected these errors in February 2017.
- The County Collector did not always deposit monies received for partial payments timely. For example, a \$612 partial payment recorded on January 13, 2017, was not deposited until January 19, 2017.

To ensure all monies received for partial payments are properly recorded and deposited and to reduce the risk of loss, theft, or misuse of funds, the County Collector should issue receipt slips for all partial payments received and deposit partial payments timely. A list of liabilities should be prepared monthly and reconciled to available cash balances to ensure sufficient cash is available for the payment of all amounts due and all monies in the bank account can be identified. Prompt follow up on discrepancies is necessary to resolve errors and ensure monies are properly disbursed.

Similar conditions  
previously reported

Similar conditions were noted in our prior audit report, *Taney County*, Report No. 2014-047, issued in July 2014.

## Recommendations

The County Collector:

- 1.1 Ensure receipt slips are issued upon receipt for all monies received, payments are recorded and deposited timely and intact, and implement procedures to account for the numerical sequence of



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receipt numbers, retain manual receipt slips issued, and restrictively endorse checks immediately upon receipt.

- 1.2 Issue receipt slips for all partial payments received, deposit partial payments timely, prepare a list of liabilities monthly and agree the reconciled bank balance to the liabilities list. Any differences should be promptly investigated.

## Auditee's Response

*The County Collector provided the following responses:*

- 1.1 *I have purchased a manual receipt slip book that is consecutively numbered and will either receipt or log monies that are held, returned, or shredded. Receipt slips will be kept according to the retention schedule (audit to audit). The numerical sequence of receipt numbers is to be reviewed each morning to ensure there are no missing receipt numbers. Tax payments will be processed in a timely manner and daily deposits will be made. Checks are restrictively endorsed either electronically or manually at the payment window when a check is presented in person.*
- 1.2 *Receipt slips will be issued for all partial payments received. Deposits are made daily to the pay in advance account, if payment is received. Bank statements will be reconciled to the liability list monthly and any differences will be promptly investigated. There is no longer an installment program for delinquent taxes.*

*The former County Collector provided the following response:*

- 1.2 *If a customer was unable to manage their money to pay their past due real estate taxes in one lump sum, the former County Collector, established an agreement to set up delinquent installment payments. In one case, the account was an agreement with a bankruptcy settlement after receiving direction from the County Collector's bankruptcy attorney. The agreement gave the customer 60 months to pay the delinquent account in full. The excel spreadsheet is stored on the County Collector's network and backed up nightly. Every time a customer made a payment they were given a receipt from the excel spreadsheet showing the payment along with the balance due and the monies were deposited into the installment account. Once the account was paid in full the funds were transferred to the distribution account showing a paid receipt in full for that account. Receipts were given for any delinquent or current partial payment made.*

*I had an employee balancing the partial payment (paid in advance) account monthly that became ill and was out of the office for an*





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*extended period of time. A new employee was given the duties and trained, but failed to understand the entire process; she was balancing to the bank, but not including the delinquent spreadsheets. The entire process is now once again in place.*

*It is the office policy to not throw away envelopes received by mail until 2 clerks have gone through the envelopes. This policy was put into place several years ago. As the clerks are working mail each day the envelopes the payments come in are put into a box and the envelopes are stored in the storage area, dated, until a clerk has their daily duties completed and time to go through each envelope a second time to be satisfied that nothing is left in the envelope. In doing this a check was found in one envelope that was for a partial payment as noted in the audit. The check had been posted to the customer's partial payment account the day received but did not get into the bank account. It was mistakenly put into the box of worked mail. The check was posted under the inquire screen on the paid in advance program to the customer's account but did not show under the daily totals when the drawer was balanced. We have worked with the software provider to not allow posting under the inquire screen. Had the check been posted in the payment screen the clerk would have known a check was missing and then immediately have investigated the missing check to find the answer before leaving work that day. By already having a policy in place to save all envelopes until they may be gone through a second time has proved beneficial to the office and customer.*

## 2. Additions and Abatements

The County Clerk and the County Commission did not review and approve additions to personal property and some abatements of personal property made from January 2016 through December 2016 until January 23, 2017.

Sections 137.260 and 137.270, RSMo, assigns responsibility to the County Clerk for making corrections to the tax books with the approval of the County Commission. A timely review of approved additions to actual changes made to the property tax system would help to ensure changes are proper.

Similar condition  
previously reported

A similar condition was noted in our prior audit report of *Taney County*, Report No. 2014-047, issued in July 2014. In addition, our follow-up report on that audit, *Follow-Up Report on Audit Findings - Taney County*, Report No. 2015-046 (section 5.4), issued in July 2015, reported the status as implemented.

## Recommendation

The County Clerk and County Commission review and approve personal property additions and abatements timely.



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## Auditee's Response

*The County Clerk and County Commission indicated it has been our practice to prepare reports showing additions and abatements and to present them to the County Commission periodically. During the 2016 Presidential election year, we did not present the reports to the County Commission in a timely manner. To ensure that we present them in a timely manner in the future, we have added the task to our monthly calendar to ensure the process is completed regularly.*

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## 3. Passwords

Neither the County Collector nor the former County Collector established adequate password controls to reduce the risk of unauthorized access to computers and data. Four computers were primarily used to record property tax payments; however, employees shared use of these computers, and passwords were not required to be entered before switching users. In addition, employees were not required to change passwords on a periodic basis.

Passwords are required to authenticate access to computers. The security of computer passwords is dependent upon keeping them confidential and requiring users to enter their password when switching users. However, since passwords do not have to be periodically changed and passwords were not entered before switching users on shared computers, 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, confidential, and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

## Recommendation

The County Collector require employees to enter their unique password when switching users, and ensure passwords are periodically changed to prevent unauthorized access to the County Collector's computers and data.

## Auditee's Response

*I am working with the county information technology department and our programmer to address passwords and enforce periodic changing of passwords.*

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# Taney 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).

Sheila L. Wyatt served as County Collector until December 31, 2016. Sheila was elected to the County Commission effective January 3, 2017, and requested an appointment be made prior to her resignation. Ramona Cope was appointed the Taney County Collector on December 30, 2016, and sworn into office on January 3, 2017.

The County Collector received compensation of \$55,208 for the period March 1, 2016, to December 31, 2016. During the year ended February 29, 2016, the County Collector received compensation of \$66,250. Compensation was in accordance with statutory provisions.