



Office of Missouri State Auditor
Nicole Galloway, CPA

**Moniteau County Collector and
Property Tax System**



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

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

Property Tax System Controls and Procedures	The former County Collector's annual settlement for the year ended February 28, 2017, was not complete and accurate. Neither the County Clerk nor the County Commission adequately reviewed the financial activities of the County Collector. As a result, there is an increased risk of loss, theft, and misuse of property tax monies going undetected, and less assurance the annual settlements are complete and accurate.
County Collector's Controls and Procedures	The former County Collector did not record receipts in the property tax system immediately upon receipt. The former County Collector did not prepare adequate bank reconciliations for the property tax collections account because she did not reconcile the bank statement balance to the check register balance or always make necessary corrections for duplicated entries. The former County Collector did not prepare a monthly list of liabilities for the property tax collections bank account. As a result, liabilities were not agreed to the reconciled bank balance monthly. The former County Collector did not withhold amounts from tax collections for the Assessment Fund in compliance with state law.

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

*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.

Moniteau County Collector and Property Tax System

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the County Commission
and
County Collector
Moniteau County, Missouri

We have audited the County Collector and Property Tax System of Moniteau 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 May 31, 2017, a vacancy occurred in the office of the County Collector of Moniteau County. A successor was appointed and sworn into office effective July 5, 2017. The scope of our audit included, but was not necessarily limited to, the period March 1, 2017, to May 31, 2017, and the year ended February 28, 2017. The objectives of our audit were to:

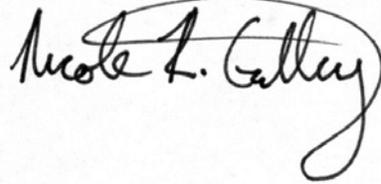
1. Evaluate the county's internal controls over significant property tax functions.
2. Evaluate the county's compliance with certain legal provisions.

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 tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, 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 Moniteau County.

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

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

1. Property Tax System Controls and Procedures

Controls and procedures of the property tax system need improvement. Property taxes and other monies collected by the former County Collector totaled approximately \$11 million during the year ended February 28, 2017.

1.1 Annual settlements

The former County Collector's annual settlement for the year ended February 28, 2017, was not complete and accurate.

- Protested taxes totaling approximately \$176,000 from previous years were omitted from the settlement.
- Protested taxes totaling approximately \$46,000 for the current year were improperly reported as charges, collections, and distributions instead of as protested taxes.
- Credits were incorrectly summarized. Errors occurred when rolling forward amounts to the front page of the annual settlement. For example, total collections erroneously included current credits amounts for delinquent, abated, and protested taxes, and excluded amounts for collections on back taxes and other collections. Additionally, total delinquent taxes and total abatements erroneously excluded delinquent back taxes and abatements on back taxes, respectively. As a result, total charges exceeded total credits by approximately \$653,000 and total collections exceeded total distributions by approximately \$28,000.

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 important the County Collector file complete and accurate annual settlements.

1.2 Review of activity

Neither the County Clerk nor the County Commission adequately reviewed the financial activities of the County Collector. The County Clerk account book does not include protested taxes. In addition, the County Clerk and the County Commission do not perform procedures to verify the accuracy and completeness of the County Collector's annual settlements. Due to this lack of oversight, the County Commission approved the annual settlement for the year ended February 28, 2017, containing significant errors. As a result, there is an increased risk of loss, theft, and 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 summarizes all taxes charged to the County Collector, monthly collections, delinquent credits, additions and



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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.

Similar conditions
previously reported

Similar conditions were noted in our prior audit of Moniteau County, Report No. 2013-053, issued in July 2013.

Recommendations

- 1.1 The County Collector prepare complete and accurate annual settlements.
- 1.2 The County Clerk include protested taxes in the account book. 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.

Auditee's Response

The County Collector provided the following response:

- 1.1 *I will work to ensure future annual settlements are accurate and complete.*

The County Clerk and County Commission provided the following response:

- 1.2 *We will implement this recommendation.*

2. County Collector's Controls and Procedures

Controls and procedures for the County Collector's office need improvement.

2.1 Receipts

The former County Collector did not record receipts in the property tax system immediately upon receipt. The former County Collector stamped the property tax statements paid when monies were collected and used the statements to post the collections in the property tax system at the end of the day, except during December when postings also occurred during the middle of the day.

Failure to record receipts in the property tax system immediately upon receipt increases the risk that theft, loss, or misuse of monies received will go undetected.

2.2 Bank reconciliations

The former County Collector did not prepare adequate bank reconciliations for the property tax collections account. She did not reconcile the bank



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statement balance to the check register balance or always make necessary corrections for duplicated entries. We determined the reconciled bank balance was \$3,597 as of May 31, 2017. The check register balance of \$48,942 on that date exceeded the reconciled bank balance by \$45,345. However, there were duplicated entries in the check register that were not subsequently corrected. For example, 2 deposit entries in December 2016 totaling \$45,790 and 4 checks in April 2017 totaling \$35,172 were erroneously recorded twice in the check register. Such errors, when uncorrected, cause the check register balance to be inaccurate. Thus we were unable to determine if there was a shortage in the account due to the inaccuracy of the check register.

Preparing adequate monthly bank reconciliations and correcting duplicate entries helps ensure records are accurate and increases the likelihood errors will be identified.

2.3 Liabilities

The former County Collector did not prepare a monthly list of liabilities for the property tax collections bank account. As a result, liabilities were not agreed to the reconciled bank balance monthly. We determined liabilities to be 3 months of undistributed surtax and bank interest totaling \$1,900, as of May 31, 2017. The reconciled bank balance on that date of \$3,597 exceeded the identified liabilities, resulting in an unidentified balance of \$1,697.

Regular identification and comparison of liabilities to the reconciled bank balance is necessary to ensure records are in balance, monies are available to satisfy all liabilities, and monies are disbursed timely. Differences must be adequately investigated and explained. Various statutory provisions provide for the disposition of unidentified monies.

2.4 Assessment withholdings

The former County Collector did not withhold amounts from tax collections for the Assessment Fund in compliance with state law. Assessment Fund withholdings were withheld at 1.95 percent instead of the 1.7 percent allowed. As a result, from March 2016 through May 2017, amounts withheld from taxing districts and disbursed to the Assessment Fund were approximately \$27,300 more than allowed. Similar concerns occurred in previous years.

Section 137.720.1, RSMo, requires a one percent commission on ad valorem property tax collections allocable to each taxing authority be deducted from the collections of taxes each year and deposited into the assessment fund of the county. Section 137.720.3, RSMo, requires an additional one-half percent commission, but limits the amount deducted to \$75,000. An additional one-fifth of one percent is allowed per Section 137.082.6, RSMo. Adequate monitoring and proper calculation of Assessment Fund withholdings is necessary to ensure compliance with statutory provisions.



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Similar conditions
previously reported

Similar conditions to sections 2.1, 2.2, and 2.3 were noted in our prior audit of Moniteau County, Report No. 2013-053, issued in July 2013.

Recommendations

The County Collector:

- 2.1 Record receipts in the property tax system immediately upon receipt.
- 2.2 Prepare complete and accurate bank reconciliations and promptly correct any errors.
- 2.3 Prepare and reconcile a list of liabilities to the reconciled bank balance monthly. Any differences should be promptly investigated and resolved. After sufficient efforts are made to resolve differences, any remaining unidentified monies should be disposed of in accordance with state law.
- 2.4 Recalculate assessment withholdings for current and prior years and work with the County Commission to disburse amounts owed to the taxing districts from the Assessment Fund.

Auditee's Response

- 2.1 *I will implement this recommendation and acquire the technology necessary to accomplish this.*
- 2.2 *I will make the appropriate adjustment to the May 31, 2017, register balance and ensure future bank reconciliations are complete and accurate and any errors are promptly corrected.*
- 2.3 *I will implement this recommendation.*
- 2.4 *I will recalculate the withholdings of the former County Collector and work with the County Commission to make the necessary disbursements.*

Moniteau County Collector and Property Tax System Organization and Statistical Information

The County Collector bills and collects property taxes for the county and most local governments. Pursuant to Section 52.015, RSMo, the term for which collectors are elected expires on the first Monday in March of the year in which they are required to make their last final settlement for the tax book collected by them. Annual settlements are to be filed with the county commission for the fiscal year ended February 28 (29).

Cheryl K. Duvall served as County Collector until May 31, 2017. Ellen Ash was appointed the Moniteau County Collector and sworn into office on July 5, 2017.

The former County Collector received compensation of \$18,160 for the period March 1, 2017, to May 31, 2017, including \$7,702 of commissions earned for collecting city property taxes. During the year ended February 28, 2017, the former County Collector received compensation of \$49,318, including \$7,488 of commissions earned for collecting city property taxes. Compensation was in accordance with statutory provisions.