

The seal of the Missouri State Auditor is circular and features a central figure holding a scale and a sword. The text around the seal reads "SEAL OF THE STATE AUDITOR" at the top, "WE STAND DIVIDED" in the middle, and "1820 MISSOURI 1892" at the bottom.

**Nicole Galloway, CPA**

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**Missouri State Auditor**

**Jefferson County Collector and  
Property Tax System**

Report No. 2021-033

June 2021

[auditor.mo.gov](http://auditor.mo.gov)



**Nicole Galloway, CPA**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the Jefferson County Collector

Commissions	Personal commissions are not reported to the Internal Revenue Service as employee compensation by the county.
User Identification and Passwords	The County Collector has not established adequate user identification and password controls to reduce risk of unauthorized access to some 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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# Jefferson County Collector and Property Tax System

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## **NICOLE GALLOWAY, CPA**

### **Missouri State Auditor**

County Executive  
and  
County Council  
and  
County Auditor  
and  
County Collector  
Jefferson County, Missouri

We have audited the County Collector and Property Tax System of Jefferson 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 September 9, 2020, a vacancy occurred in the office of the County Collector of Jefferson County. A successor was appointed and sworn into office effective September 9, 2020. The scope of our audit included, but was not necessarily limited to, the period of March 1, 2020, to September 9, 2020, and the year ended February 29, 2020. The objectives of our audit were to:

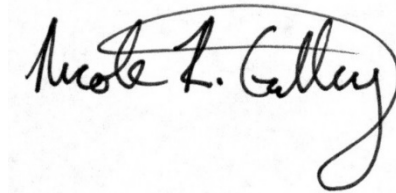
1. Evaluate the county's internal controls over significant property tax functions.
2. Evaluate the county's compliance with certain legal provisions.

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 control that is significant to the audit objectives and assessed the design and implementation of such internal control to the extent necessary to address our audit objectives. 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 Council to accept the State Auditor's report and, if necessary, to take certain specific actions if the State Auditor finds any funds 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 Jefferson 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 word "Galloway".

Nicole R. Galloway, CPA  
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kelly Davis, M.Acct., CPA, CFE
Audit Manager:	Travis Owens, MBA, CPA, CFE, CGAP
In-Charge Auditor:	Joseph T. Magoffin, CFE

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

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## 1. Commissions

Personal commissions are not reported to the Internal Revenue Service (IRS) as employee compensation<sup>1</sup> by the county. The County paid the County Collector commissions for the collection of city taxes totaling \$3,000 annually outside of the county payroll process.<sup>2</sup> Property taxes and other receipts collected by the County Collector totaled approximately \$259.3 million during the year ended February 29, 2020.

Since the annual payments for commissions were not processed through the county payroll system, they were not reported on the employee's W-2 forms, appropriate payroll taxes were not withheld, and the employer's share of payroll taxes was not paid. IRS regulations require individuals treated as employees to have all compensation reported on W-2 forms.

To ensure all compensation is properly reported and taxed, all compensation should be paid through the normal county payroll process. The failure to properly report and tax all wages could result in penalty and interest charges assessed against the county.

## Recommendation

The County Collector work with the County Executive and County Auditor to ensure all compensation is paid through the county's normal payroll process, properly taxed, and reported to the IRS as employee compensation.

## Auditee's Response

*Jefferson County agrees with the State Auditor's findings and any future commissions paid to the County Collector pursuant to Missouri state law shall be processed through the county's payroll process.*

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## 2. User Identification and Passwords

The County Collector has not established adequate user identification and password controls to reduce risk of unauthorized access to some computers and data. Some employees in the County Collector's office share the two computer terminals at the front counter and do not log off and back on with their unique user identification and password when using the property tax system. The terminals are solely used for accessing the property tax system and a shared user identification and password is used to access the terminals. While the terminals lock after a period of inactivity, the property tax system does not lock or automatically logout users. As a result, once a property tax system batch is opened on one of these computers, it remains open until it is closed out and the deposit is prepared, and there is no assurance that the user listed in the system for posting or deleting a transaction is the person who did it.

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<sup>1</sup> The Collector indicated the county issued a Form 1099 to the Collector for these payments; however, officials could not explain how the Collector can be treated as both an employee and a non-employee.

<sup>2</sup> Section 52.320 RSMo, limits commissions to \$3,000 annually.



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

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While a user identification and password are required to authenticate access, the security of these logon credentials is dependent on keeping them confidential and requiring users to enter their unique user identification and password when switching users. Allowing certain users to share the property tax system access without logging off and back on with their unique user identification and password increases the risk of unauthorized access and/or changes to the system and records, and reduces assurance that access is limited to only those individuals who need access to perform their job responsibilities. User identifications should be unique to each person and passwords should be confidential to reduce the risk of a compromised password and unauthorized access to and use of computers and data.

**Recommendation**

The County Collector require employees use their unique user identification and password when accessing the property tax system.

**Auditee's Response**

*Currently, the county and County Collector have instituted many compensating controls such as cameras on each cash drawer to reduce the risk of unauthorized access or fraud in the County Collector's office. All other terminals in the County Collector's office are already individually password controlled. The County Collector shall work with the County Auditor and the Director of Administration to develop additional compensating controls pursuant to the recommendations of the State Auditor.*

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# Jefferson 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 council for the fiscal year ended February 28 (29).

Beth Mahn served as County Collector until September 9, 2020. Michelle Worth was immediately appointed and sworn in as the Jefferson County Collector on September 9, 2020.

The County Collector received compensation of \$49,494 for the period March 1, 2020 through September 22, 2020. During the year ended February 29, 2020, the County Collector received compensation of \$84,847. Compensation was in accordance with the county charter.