



**Nicole Galloway, CPA**

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**Missouri State Auditor**

**Reynolds County Collector and  
Property Tax System**

Report No. 2022-035

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



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Missouri State Auditor

# CITIZENS SUMMARY

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

County Collector Fees	The County Collector did not properly review fees withheld on utility and delinquent taxes calculated by the property tax system for accuracy and, as a result, the County Collector over withheld some fees.
Electronic Data Security	The County Collector and Deputy Collector share the County Collector's user identification and password when using the property tax system and county computers. As a result, there is no assurance that the user listed in the system for posting a transaction is the person who did it. In addition, office personnel are not required to change their passwords periodically and there are no lockout procedures for excessive failed logon attempts on either the property tax system or the county computers.

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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# Reynolds County Collector and Property Tax System

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## **NICOLE GALLOWAY, CPA** **Missouri State Auditor**

County Commission  
and  
County Collector  
Reynolds County, Missouri

We have audited the County Collector and Property Tax System of Reynolds 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 October 31, 2021, a vacancy occurred in the office of the County Collector of Reynolds County. A successor was appointed and sworn into office effective November 1, 2021. The scope of our audit included, but was not necessarily limited to, the period of March 1, 2021, to October 31, 2021, and the year ended February 28, 2021. The objectives of our audit were to:

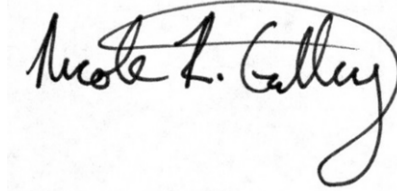
1. Evaluate the county's internal controls over significant property tax functions.
2. Evaluate the county's compliance with certain legal provisions.

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 performing sample testing using haphazard and judgmental selection, as appropriate. The results of our sample testing cannot be projected to the entire populations from which the test items were selected. We obtained an understanding of internal control that is significant to the audit objectives and planned and performed procedures to assess 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 Commission 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 Reynolds 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

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

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## 1. County Collector Fees

The County Collector did not properly review fees withheld on utility and delinquent taxes calculated by the property tax system for accuracy and, as a result, the County Collector over withheld some fees. The office collected approximately \$10.4 million in property taxes and other receipts and withheld approximately \$285,525 in commissions and fees during the year ended February 28, 2021.

The County Collector incorrectly withheld 0.5 percent of utility tax collections for mailing statements and receipts. As a result, the county General Revenue Fund received more than allowed and amounts are owed to various political subdivisions. For December 2020, the amount over withheld was \$237.

The County Collector also incorrectly withheld 9.22 percent on all back delinquent real estate taxes rather than the required 9 percent. As a result, the county General Revenue, Tax Maintenance Fund, and County Employment Retirement Funds received more than allowed and amounts are owed to various political subdivisions. For December 2020, the amount over withheld was \$75.

The County Collector indicated the fees were set by the former County Collector when the property tax system was set up and were the same rates used as another county that uses the same system.

For mailing statements and receipts, Section 52.250, RSMo, requires the collector to collect a fee of one-half of 1 percent on all current personal property and real estate taxes excluding all railroad and utility taxes. Section 52.290, RSMo, requires the collector to collect a fee of 9 percent on all sums to be added to the face of the delinquent and back tax bills. Thorough review and accurate withholding calculations are necessary to ensure distributions owed to the various political subdivisions are appropriate.

## Recommendation

The County Collector work with the property tax system vendor to ensure fee calculations are corrected and review calculations periodically to ensure they are in accordance with state statute. The County Collector should also recalculate all fees and correct distributions to the various political subdivisions and the county Tax Maintenance, County Employment Retirement, and General Revenue Funds.

## Auditee's Response

*We agree with this finding. We have corrected the fee for mailing utility tax statements and receipts. We are working with the property tax system vendor to ensure fee calculations are corrected for the back delinquent real estate taxes. Once these are all corrected, we will correct the distributions to the various political subdivisions.*



## 2. Electronic Data Security

The County Collector and Deputy Collector share the County Collector's user identification and password when using the property tax system and county computers. As a result, there is no assurance that the user listed in the system for posting a transaction is the person who did it. In addition, office personnel are not required to change their passwords periodically and there are no lockout procedures for excessive failed logon attempts on either the property tax system or the county computers. The County Collector purchased new computers in 2020. The computers were not purchased through the county's current information technology company, so they did not have the same electronic data security measures in place as the prior computers. Office personnel indicated since they received the new computers, they have been sharing the same login credentials and have not changed the password.

Unique user identifications and passwords are necessary to identify activity performed by each individual. The security of a password system is dependent upon keeping the passwords confidential. Since passwords are not required to be periodically changed and logon attempts are not limited, there is less assurance the County Collector is preventing unauthorized individuals from continually attempting to logon to a computer by guessing passwords. Also, by allowing users to share accounts and passwords, individual accountability for system activity could be lost and unauthorized system access could occur. Without strong user account and password controls, including maintaining the confidentiality of passwords, the likelihood accounts could be compromised and used by unauthorized individuals to gain access to sensitive information is increased.

### Recommendation

The County Collector ensure all authorized users have unique identifications and confidential passwords that are periodically changed and establish a maximum number of logon attempts allowed before being locked out when using the property tax system and the county computers.

### Auditee's Response

*We agree and have already corrected these issues.*

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# Reynolds 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).

Kathy Hoffmann served as County Collector until October 31, 2021. Denise Smith was appointed the Reynolds County Collector and sworn into office on November 1, 2021.

The County Collector received compensation of \$30,467 for the period March 1, 2021, to October 31, 2021. During the year ended February 28, 2021, the County Collector received compensation of \$44,592. Compensation was in accordance with statutory provisions.