

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, "JUSTICE WE STAND DIVIDED" in the middle, and "1820 MISSOURI 1892" at the bottom.

Nicole Galloway, CPA

Missouri State Auditor

Miller County Collector and
Property Tax System

Report No. 2022-048

August 2022

auditor.mo.gov



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

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

| | |
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| Property Tax System Controls and Procedures | The former County Collector did not prepare and file an annual settlement for the years ended February 28 (29), 2015, through 2021, in violation of state law. Because the former County Collector did not file annual settlements, the County Commission could not verify the County Collector's accounts. The county also has not adequately restricted property tax system access, and the County Commission and the County Clerk do not adequately review changes entered into the property tax system. In addition, aggregate abstract procedures need improvement. The County Clerk indicated he did not have access to the County Collector's tax book information. As a result, he prepared the 2020 land and personal property tax aggregate abstract based on the county's assessed valuation rather than the tax books. |
| County Collector's Controls and Procedures | The former County Collector did not prepare bank reconciliations for any of the office's 7 bank accounts during the years ended February 28 (29), 2018, through 2021. In addition, the former County Collector did not prepare a monthly list of liabilities for the bank accounts with liabilities. The County Collector does not account for the numerical sequence of receipt slip numbers assigned by the property tax system. In addition, controls over cash handling need improvement because employees share one cash drawer. |

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.

Miller County Collector and Property Tax System

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NICOLE GALLOWAY, CPA

Missouri State Auditor

County Commission
and
County Collector
Miller County, Missouri

We have audited the County Collector and Property Tax System of Miller 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 November 28, 2021, a vacancy occurred in the office of the County Collector of Miller County. A successor was appointed and sworn into office effective January 6, 2022. The scope of our audit included, but was not necessarily limited to, the period of March 1, 2021, to November 28, 2021, and the year ended February 28, 2021. The objectives of our audit were to:

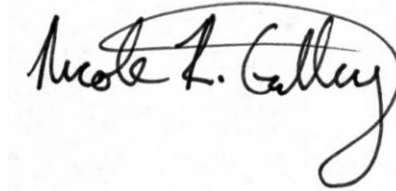
1. Evaluate the county's internal controls over significant property tax functions.
2. Evaluate the county's compliance with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county; and testing selected transactions. We reviewed receipt and disbursement transactions, addition and abatement activity, commissions, and the annual settlement; and performed sample testing of some of these areas 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 Miller County.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is written in a cursive style with a large, sweeping loop at the end of the name.

Nicole R. Galloway, CPA
State Auditor

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

1. Property Tax System Controls and Procedures

Controls and procedures over the county's property tax system need improvement. The County Collector's office collected approximately \$24.7 million in property taxes and other miscellaneous receipts during the year ended February 28, 2021.

1.1 Annual settlements

The former County Collector did not prepare and file an annual settlement for the years ended February 28 (29), 2015, through 2021, in violation of state law. The current County Collector could not explain why the settlements had not been prepared. Because the former County Collector did not file annual settlements, the County Commission could not verify the County Collector's accounts. The annual settlement for the year ended February 28, 2021, was completed by the current County Collector after she was appointed to the office.

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, the County Collector must file annual settlements. Section 139.160, RSMo, requires the County Collector to annually settle with the County Commission the accounts of all money received from taxes and other sources. In addition, Section 139.190, RSMo, requires the County Commission to carefully and fully examine the annual settlement of the County Collector and the County Clerk to certify the amounts to the state. Such procedures are intended to establish checks and balances related to the collection of property taxes.

1.2 Property tax system changes

The county has not adequately restricted property tax system access. The County Collector's office has access rights in the property tax system to make changes such as additions and abatements, but can also make corrections or changes to information entered into the property tax system. In addition, the County Commission and the County Clerk do not adequately review changes entered into the property tax system.

The County Assessor's office updates the assessed valuations in the assessment system and communicates needed changes to property tax records on court order forms provided to the County Collector's office. County Collector's office personnel then post these changes to the property tax system. The County Collector indicated the data systems used by the County Collector's and the County Assessor's offices do not interface, so it is necessary for the County Collector's office to make changes to the tax records.

A report of abatements is printed from the assessment system and a similar report is printed from the property tax system. These reports are compared by County Collector staff each month; however, no comparison is performed of property tax additions. Also, neither the County Commission nor the County Clerk review and approve the court order forms, and no independent



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Management Advisory Report - State Auditor's Findings

reconciliation is performed to compare the actual changes made to the property tax system with those made in the assessment system. As a result, changes to the property tax system are not properly monitored and errors or irregularities could go undetected.

Because the County Collector is responsible for collecting tax money, the ability of personnel within this office to make changes to the property tax system represents a significant weakness in internal controls. Good internal controls require the County Collector and other office personnel not have access rights allowing alteration or deletion of information. Sections 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making changes to the tax books with the approval of the County Commission. If it is not feasible for the County Clerk to make corrections to the tax books, an independent reconciliation of approved changes to actual changes made would help ensure the changes are appropriate.

1.3 Aggregate abstracts

Aggregate abstract procedures need improvement. The County Clerk indicated he did not have access to the County Collector's tax book information. As a result, he prepared the 2020 land and personal property tax aggregate abstract based on the county's assessed valuation rather than the tax books. We compared the 2020 aggregate abstracts with the corresponding tax books maintained by the County Collector's office and identified the following differences.

- Total real estate taxes and personal property taxes reported on the 2020 land and personal property tax aggregate abstract were understated by \$736,357 and overstated by \$20,873, respectively.
- Total taxes reported on the 2020 railroad and utility tax aggregate abstract were understated by \$18,251.
- Total real estate taxes and personal property taxes reported on 2019 and prior years' back tax aggregate abstract were understated by \$654,563 and \$220,641, respectively.

Section 137.295, RSMo, requires the County Clerk to prepare the tax aggregate abstract reports and forward them to the Department of Revenue and State Tax Commission upon completion of delinquent tax books and upon assessment of current tax books. Failure to reconcile these reports to the current and delinquent tax books decreases the accuracy of the reports and what is charged to the County Collector to collect.

Similar conditions previously reported

A condition similar to section 1.1 was noted in our 4 prior audit reports and to section 1.2 in our 2 prior audit reports. In addition, Report No. 2015-035, *Follow-Up Report on Audit Findings - Miller County* (sections 3.2 and 4.1), issued in June 2015, reported the statuses, at that time, as in progress.



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Recommendations

- 1.1 The County Collector prepare and file annual settlements in accordance with state law. In addition, the County Commission should ensure the annual settlements are filed and carefully and fully examined to ensure tax book charges and credits are accurately reported.
- 1.2 The County Commission and the County Clerk develop procedures to ensure all property tax changes are properly approved and monitored. In addition, the County Collector should ensure property tax system access rights are limited to only what is needed for the users to perform their job duties and responsibilities.
- 1.3 The County Clerk establish procedures to ensure tax aggregate abstracts are prepared accurately.

Auditee's Response

The County Collector provided the following responses:

- 1.1 *The County Collector will complete and file annual settlements. These settlements will be provided to the County Commission for review.*
- 1.2 *Currently, on a monthly basis, the County Assessor's office provides the County Collector's office with a comprehensive Monthly Court Order (Add-On and Abatement) List report. The County Collector's office prints monthly Add-On and Abatement reports to reconcile all court orders received by the County Assessor's office, and then provides a copy of the reconciliation to the County Clerk, along with supporting documentation. If there are any discrepancies, the County Collector's office notifies the County Assessor's office for corrections. Effective July 1, 2022, this procedure will begin on a weekly basis and the County Commission and County Clerk will review reports, and the process will be acknowledged on the County Commission's agenda each Friday.*

The County Collector, County Clerk, and County Assessor are currently searching for an acceptable solution in the form of a software vendor to address the addition and abatement process that will satisfy the audit recommendation.

The County Commission provided the following responses:

- 1.1 *The County Commission will work with the County Collector, County Assessor, and County Clerk to ensure the required annual settlement is prepared and reviewed.*



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Management Advisory Report - State Auditor's Findings

1.2 *The County Commission agrees with the procedures that have been recommended and developed, and we agree to review the reconciliations.*

The County Clerk provided the following response:

1.3 *Historically, the County Clerk has not had the information needed to accurately prepare the aggregate abstracts. The County Collector and the County Clerk will work together to obtain the necessary information to prepare accurate aggregate abstracts.*

2. County Collector's Controls and Procedures

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

2.1 Bank reconciliations and liabilities

The former County Collector did not prepare bank reconciliations for any of the office's 7 bank accounts during the years ended February 28 (29), 2018, through 2021. In addition, the former County Collector did not prepare a monthly list of liabilities for the bank accounts with liabilities. The current County Collector could not explain why the former County Collector did not prepare bank reconciliations or lists of liabilities. The following table lists the bank account balances at February 28, 2021.

| Account | Bank Balance |
|---|--------------|
| Main account | \$ 4,133,571 |
| Tax maintenance account | 131,394 |
| Lodging tax account | 77 |
| Tax collection account - Bank No. 1 (1) | 34,827 |
| Tax collection account - Bank No. 2 (1) | 106,863 |
| Tax collection account - Bank No. 3 (1) | 29,123 |
| Tax collection account - Bank No. 4 (1) | 31,606 |
| Total | \$ 4,467,461 |

(1) The County Collector has agreements with local banks to accept tax payments during the months of November and December.

Preparing monthly bank reconciliations and lists of liabilities helps ensure receipts and disbursements have been properly handled and recorded, and increases the likelihood errors will be identified and corrected timely. Further, without regular identification and comparison of liabilities to the reconciled bank balance, there is less likelihood errors will be identified and the ability to both identify liabilities and resolve errors is diminished.

A similar condition was noted in our 3 prior audit reports.



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Management Advisory Report - State Auditor's Findings

2.2 Receipt controls

The County Collector does not account for the numerical sequence of receipt slip numbers assigned by the property tax system. Between 2 and 4 collection drawers (including online collections) share the same sequence of receipt slip numbers; therefore, receipt slip numbers are not in numerical sequence on each drawer's daily closing report. The computer system used by the County Collector's office maintains one receipt slip sequence across the multiple collection drawers; however, no one in the County Collector's office accounts for the numerical sequence of the receipt slip numbers as part of the daily reconciliation process. This control weakness allows for possible manipulation of receipt data.

Procedures to account for the numerical sequence of receipt slip numbers assigned by the property tax system are necessary to ensure all money received is properly recorded and deposited, and to reduce the risk of loss, theft, or misuse of funds.

2.3 Cash controls

Controls over cash handling need improvement because employees share one cash drawer. Property tax payments made by check or credit card are kept separate for each employee; however, cash payments are comingled in the same cash drawer. The current County Collector could not explain why the office has historically used one cash drawer. Because all employees have access to the cash drawer, there is less assurance the responsible party can be identified in the event of loss, theft, or misuse of money.

To help ensure responsibility for any losses or unreconciled differences can be determined, access to cash drawers should be limited to only one person per drawer.

Recommendations

The County Collector:

- 2.1 Prepare monthly bank reconciliations and monthly lists of liabilities and reconcile the lists of liabilities to the reconciled bank balances. Any differences should be promptly investigated and resolved.
- 2.2 Implement procedures to account for the numerical sequence of receipt slip numbers.
- 2.3 Limit access to the cash drawer.

Auditee's Response

- 2.1 *Monthly bank reconciliations and lists of liabilities are in the process of being prepared. Any identified differences will be resolved.*
- 2.2 *Since the audit, the County Collector's office has discovered the County Collector software does have a report titled Transaction List, to monitor numerical sequence transaction numbers to ensure all*



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Management Advisory Report - State Auditor's Findings

transactions are accounted for in the daily reconciliation, and this report is generated and reviewed on a daily basis.

- 2.3 *The County Collector's office will review the cash handling control procedures and make adjustments as needed.*

Miller 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).

William Harvey served as County Collector until November 28, 2021. Jody Vance was appointed the Miller County Collector and sworn into office on January 6, 2022.

The County Collector received compensation of \$34,987 for the period March 1, 2021, through November 28, 2021. During the year ended February 28, 2021, the County Collector received compensation of \$47,824. Compensation was in accordance with statutory provisions.