



# Scott Fitzpatrick

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Missouri State Auditor

Washington County Collector and  
Property Tax System

Report No. 2024-062

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



**Scott Fitzpatrick**  
Missouri State Auditor

# CITIZENS SUMMARY

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

### Background

In October 2021, concerns were brought to the attention of the Sheriff regarding fees paid in cash to the County Collector's office for property sales that were not deposited. At the request of the Sheriff, the Missouri State Highway Patrol (MSHP) opened an investigation. In June 2022, charges were initially filed relating to the MSHP's investigation. On November 28, 2022, the County Commission sent a letter to the State Auditor requesting an audit of the County Collector's office. On January 23, 2023, Carla Zettler, County Collector, was removed from office, and on January 26, 2023, Kris Richards was sworn in as the new County Collector.

State law requires an audit be conducted by the State Auditor's Office after a vacancy occurs in the office of the County Collector. We began an audit of the County Collector's office on January 30, 2023.

### Undeposited Receipts, Improper Transfers, and Questionable Disbursements

The former County Collector did not record or deposit at least \$107,081 in county trustee property sales receipts from the sale of over 1,700 properties from 2018 to 2021. The County Trustee sold most of the properties for \$1 plus \$99 in fees, for a total of \$100 per lot. Of the total \$100 paid per lot, only the \$1 collected for the county was recorded, deposited, and distributed by the County Collector's office. The remaining \$99 was held, in cash, in envelopes stored in the cash drawer or vault of the County Collector's office until distributed. Some of these receipts were likely distributed to the County Collector's office employees and the County Trustee. Additionally, it was reported that some of the receipts may have been maintained in cash in the County Collector's office and used for lunches and other petty cash type disbursements. However, there is no documentation to support any of these payments. The former County Collector improperly transferred at least \$3,700 from the Tax Maintenance Fund bank account to her personal bank account during 2018 and 2019. In addition, from 2019 to 2022, she made questionable disbursements by check and debit card, totaling at least \$3,211. An additional \$1,278 in questionable disbursements were identified by the MSHP between 2019 and 2020.

### County Trustee Property Sales

The former County Collector used proceeds from the county trustee property sales to make questionable and unsupported payments to office employees. The employees received a total of at least \$32,500 from 2018 to 2021 for trustee sales. In addition, the compensation per lot paid to the County Trustee significantly exceeded the amount allowed by state law and the county did not issue 1099 forms for the amounts paid to the County Trustee. The County Trustee received at least \$23 from each trustee property lot sold, and received at least \$39,400 from 2018 to 2021 for trustee sales. Also, the county could not provide justification to support how the total price for the trustee property lots was determined.

### Tax Maintenance Fund

The former County Collector approved 5 employee bonus payments from the Tax Maintenance Fund, totaling \$11,989, during 2021 and 2022, in violation of the Missouri Constitution. The amount paid for each employee was calculated on the number of hours worked during previous periods at an additional rate of pay per hour ranging from \$1.50 to \$2.30 per hour. The payments were in addition to regular payroll disbursements. The former

County Collector did not transfer receipts into the Tax Maintenance Fund on a monthly basis as required by state law, instead distributions were often made for several months at one time. The practice of transferring multiple months at one time made it more likely errors would occur.

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Accounting Controls and Procedures

Weaknesses in accounting controls and procedures include not always depositing receipts intact, not accounting for the numerical sequence of receipt slip numbers, and office personnel sharing the same cash drawer when collecting receipts. General account bank reconciliations prepared by the former County Collector were not always complete, accurate, or timely. As of January 30, 2023, the former County Collector had only completed bank reconciliations on the general account through August 2022. The former County Collector did not prepare lists of liabilities for the general or the ACH (installment) bank accounts, and consequently, liabilities were not agreed to reconciled bank balances. The former County Collector did not transfer the balance of the ACH bank account to cover tax liabilities paid in November 2022. In addition, the former County Collector did not distribute protested taxes in a timely manner and did not maintain protested taxes in an interest bearing bank account as required by state law.

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Property Tax System

The County Commission does not perform any procedures to verify the accuracy and completeness of the County Collector's annual settlements as required by state law. As a result, there is an increased risk of loss, theft, or misuse of property tax money going undetected, and less assurance the annual settlements are complete and accurate. The current County Collector has not completed and filed an annual settlement for the years ended February 28, 2023, and February 29, 2024, in violation of state law.

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

\*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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# Washington County Collector and Property Tax System

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**SCOTT FITZPATRICK**  
MISSOURI STATE AUDITOR

County Commission  
and  
County Collector  
Washington County, Missouri

We have audited certain operations of the County Collector and Property Tax System of Washington County in fulfillment of our duties under Sections 29.230 and 52.150, RSMo. On November 28, 2022, the County Commission of Washington County requested the State Auditor to audit the office of the County Collector due to concerns regarding misappropriated money. Subsequently, on January 23, 2023, a vacancy occurred in the office of the County Collector. 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. A successor was appointed and sworn into office effective January 26, 2023. The scope of our audit included, but was not necessarily limited to, the year ended February 28, 2022, and the period of March 1, 2022, to January 23, 2023. 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.
3. Determine the extent of money misappropriated and/or missing from the County Collector's office, if any.

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 reviewed receipt and disbursement transactions, tax and trustee property sale documentation, addition and abatement activity, commissions, and the annual settlement; and performed 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. In addition, we used the report of other auditors and their review of county trustee property sales to determine the extent of undeposited receipts to address our audit objectives. 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 this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the 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 a reasonable basis for our findings and conclusions based on our audit objectives.

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, (2) noncompliance with legal provisions, and (3) undeposited receipts totaling at least \$107,081, improper transfers totaling at least \$3,700, and questionable disbursements totaling at least \$3,211. The accompanying Management Advisory Report presents our findings arising from our audit of the County Collector and Property Tax System of Washington County.

A handwritten signature in black ink that reads "Scott Fitzpatrick". The signature is written in a cursive style with a large initial "S" and "F".

Scott Fitzpatrick  
State Auditor

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# Washington County Collector and Property Tax System

## Introduction

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### Background

The County Collector bills and collects property taxes for the county and most local governments within the county. The county's population was 23,514 in 2020, according to the U.S. Census Bureau.

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). Property taxes and other money collected by the Washington County Collector's office totaled approximately \$17.3 million during the year ended February 28, 2023.

Carla Zettler was elected Washington County Collector in November 2014, took office in March 2015, and was subsequently re-elected to the position in November 2018. During the years ended February 28, 2021, 2022, and 2023, she received salary and commissions of \$45,899, \$46,149, and \$47,350, respectively. Commissions for collecting city property taxes were \$2,899, \$3,149, and \$3,075, respectively. The County Collector's salary was in accordance with statutory provisions.<sup>1</sup>

The County Collector's office handles property sales, which occur when real estate parcels with delinquent taxes for 2 successive years are offered for sale at annual tax sales.<sup>2</sup> If after the third year of offering the property for sale, there is no purchaser, Section 140.260, RSMo, allows the County Commission to designate a person (county trustee) to purchase the property on behalf of the county.<sup>3</sup>

In October 2021, concerns were brought to the attention of the Sheriff regarding fees paid in cash to the County Collector's office for property sales that were not deposited. At the request of the Sheriff, the Missouri State Highway Patrol (MSHP) opened an investigation.

In June 2022, charges were initially filed relating to the MSHP's investigation. County Collector Carla Zettler was charged with felony stealing, felony money laundering or attempted money laundering, and misdemeanor official misconduct. A hearing is scheduled for September 23, 2024, related to these charges. Deputy County Collector Laura Laramore and County Collector's office employee Leslie Harmon entered into deferred prosecution agreements

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<sup>1</sup> The salary paid to Carla Zettler was in accordance with statutory provisions; however, as noted throughout this report, the former County Collector made other questionable payments to herself.

<sup>2</sup> For information on the annual tax sale, see Section 140.150, RSMo.

<sup>3</sup> The county trustee is not required to pay the amount of delinquent taxes due. If the county trustee does not bid and no sale occurs at the annual tax sale, the county collector may sell such real property subsequent to the third offering at any time and for any amount.



## Washington County Collector and Property Tax System Introduction

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and each paid \$10,000 in restitution. County Trustee Hanna Zettler<sup>4</sup> pled guilty to misdemeanor official misconduct, received 2 years of probation with a suspended imposition of sentence, and paid \$40,802 in restitution.

On November 28, 2022, the County Commission sent a letter to the State Auditor requesting an audit of the County Collector's office. On January 23, 2023, Carla Zettler was removed from office, and on January 26, 2023, Kris Richards was sworn in as the new County Collector.

We began an audit of the County Collector's office on January 30, 2023. We reviewed the activity of the County Collector's bank accounts, and various other records and documentation maintained by the County Collector's office, including property tax records, annual tax sale and trustee property sales records, and Tax Maintenance Fund records. Based on information provided by the MSHP, we also applied limited procedures to certain property tax records and bank account records for the period March 1, 2018, through February 28, 2021.

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<sup>4</sup> Hanna Zettler is the former County Collector's daughter-in-law. She resigned her position as County Trustee in October 2021.



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

## 1. Undeposited Receipts, Improper Transfers, and Questionable Disbursements

From 2018 to 2021, receipts collected from county trustee property sales totaling at least \$107,081<sup>5</sup> were not deposited and were instead paid in cash to County Collector's office employees and the County Trustee. In addition, from 2018 to 2022, the former County Collector improperly transferred at least \$3,700 to her personal bank account and made questionable disbursements totaling at least \$3,211 from the Tax Maintenance Fund.

### 1.1 County trustee property sales

The former County Collector did not record or deposit at least \$107,081 in county trustee property sales receipts from the sale of over 1,700 properties from 2018 to 2021 (see Appendix A). Some of these receipts were likely distributed to the County Collector's office employees and the County Trustee. Additionally, it was reported that some of the receipts may have been maintained in cash in the County Collector's office and used for lunches and other petty cash type disbursements. However, there is no documentation to support any of these payments.

Most of the real estate properties handled by the County Trustee consist of lots surrounding Woodland Lakes (see Appendix C). From 2018 to 2021, the County Trustee sold most of the properties for \$1 plus \$99 in fees, for a total of \$100 per lot. The following table shows how the \$100 paid per lot was typically distributed.

Distribution	Amount
Sale price paid to the county	\$ 1
Recorder of Deeds - collector's deed	30
Recorder of Deeds - county trustee's deed	27
County Collector's office employees <sup>6</sup>	19
County trustee <sup>7</sup>	23
<b>Total amount paid per lot</b>	<b>\$ 100</b>

<sup>5</sup> The County Commission hired an accounting firm to review trustee property sales completed from 2018 to 2021. The accounting firm concluded a total of \$107,081 collected during this 4-year period was unaccounted for. This total includes the distributions to the County Collector's office employees and the County Trustee. This amount does not include amounts paid to the Recorder of Deeds for the collector's or county trustee's deeds.

<sup>6</sup> The \$19 for the office employees was paid \$10 to one employee and \$9 to the other.

<sup>7</sup> If more than one county trustee property lot was sold at the same time to the same purchaser, each lot was sold for \$100. However, in these instances, the multiple lots may have been recorded on the same collector's deed and the same county trustee's deed, thereby decreasing the amount of fees paid to the Recorder of Deeds. These unused deed fees likely account for the difference between the \$107,081 in undeposited receipts and the estimated amounts paid to the County Collector's office employees (at least \$32,500) and the County Trustee (at least \$39,400) as discussed in Management Advisory Report finding numbers 2.1 and 2.2. As noted, it is unknown how the unused deed fees were distributed, but at least some of the fees may have been used in the County Collector's office for lunches and other petty cash type disbursements.



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

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Of the total \$100 paid per lot, only the \$1 collected for the county was recorded, deposited, and distributed by the County Collector's office. The remaining \$99<sup>8</sup> was held, in cash, in envelopes stored in the cash drawer or vault of the County Collector's office until distributed. The Deputy County Collector indicated the cash payments to the office employees and the County Trustee were personally retained by those individuals. However, there is no documentation to support these cash distributions or why it would be appropriate to distribute unrecorded and undeposited collections in this manner.

## Conclusion

The former County Collector had a fiduciary responsibility to ensure all receipts collected by her office were properly deposited and accounted for. Failure to implement adequate controls and procedures to ensure all trustee property sales receipts were recorded in the accounting system, deposited intact, and distributed by official check contributed to receipts going unrecorded, undeposited, and inappropriately distributed in cash. These inadequate controls and procedures are further discussed in Management Advisory Report (MAR) finding number 2.

### 1.2 Tax Maintenance Fund improper transfers and questionable disbursements

The former County Collector improperly transferred at least \$3,700 from the Tax Maintenance Fund bank account to her personal bank account<sup>9</sup> during 2018 and 2019 (see Appendix B). In addition, from 2019 to 2022, she made questionable disbursements by check and debit card, totaling at least \$3,211 (see Appendix B).

Our review of the Tax Maintenance Fund bank account records and information provided by the Missouri State Highway Patrol (MSHP) identified the following questionable disbursements:

- The County Collector wrote a check for \$1,000 made payable to herself. Although the memo line of the check indicated "city taxes for Dec," there was no documentation to explain why city taxes were paid from the Tax Maintenance Fund. Additionally, the city tax commissions received by the County Collector are based on a percentage of collections so it is unlikely the commissions would be an even dollar amount. Also, the city commissions are typically processed through the county's payroll system, not paid with a Tax Maintenance Fund check.
- Three \$400 (\$1,200 total) ATM withdrawals.

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<sup>8</sup> Most purchasers paid in cash. If a purchaser paid by check, County Collector's office personnel would cash the check, put the cash in an envelope, and hold it at the Collector's office until distributed.

<sup>9</sup> Information related to the former County Collector's personal bank account was provided by the Missouri State Highway Patrol.



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- Debit card purchases at a Rhodes convenience store (\$42.55), Walmart (\$52.30), and Longhorn Steakhouse (\$45.49).
- A check for \$870.40 made payable to the Recorder of Deeds for Sunshine Law request fees. On June 17, 2022, the former County Collector made a Sunshine Law request for a copy of all trustee deeds from January 1, 2018, through December 31, 2021. After the payment was made on June 23, 2022, the Recorder of Deeds contacted the Sheriff's office and the check was taken into evidence and turned over to the MSHP. No documentation was available to explain why the former County Collector requested this information or why such fees were paid from the Tax Maintenance Fund.

An additional \$1,278 in questionable disbursements were identified by the MSHP between 2019 and 2020. These disbursements primarily included payments to Verizon and Amazon.

Pursuant to Section 52.290, RSMo, the County Collector is required to collect a penalty of 9 percent of the total charged on delinquent taxes, and two-ninths of this penalty is required to be paid into the Tax Maintenance Fund of the county. Section 52.315, RSMo, requires Tax Maintenance Fund money to be spent only for additional administration and operation costs of the County Collector's office. It is unclear how, and there is no documentation to support that, these transfers and disbursements benefited the County Collector's office, and most appear to be personal in nature.

## Recommendation

1.1-1.2 The County Commission and the County Collector continue to work with law enforcement officials regarding criminal prosecution of the unaccounted for receipts, inappropriate transfers, and questionable disbursements. In addition, the County Collector should ensure all receipts are recorded timely in the accounting system, deposited intact, and distributed by official check; and sufficient documentation is maintained to support all distributions. Also, the County Collector should ensure future disbursements from the Tax Maintenance Fund are in compliance with state law and supporting documentation is maintained for all disbursements.

## Auditee's Response

*1.1-1.2 The County Commission and the County Collector agree and will continue to work with law enforcement officials. The County Collector has developed policies and procedures to ensure that all receipts are recorded in a timely manner in the accounting system, deposited intact, and disbursed by official check. The County Collector will ensure future disbursements from the Tax Maintenance Fund are in compliance with state law and supporting documentation is maintained for all disbursements.*



## 2. County Trustee Property Sales

### 2.1 County employees payments

Significant weaknesses existed in the controls and procedures over county trustee property sales. The County Collector's office collected approximately \$204,000 in county trustee property sales receipts from 2018 to 2021.

The former County Collector used proceeds from the county trustee property sales to make questionable and unsupported payments to office employees. The employees received a total of at least \$32,500<sup>10</sup> from 2018 to 2021 for trustee sales. Each employee would have received approximately half of this amount. No justification could be provided to explain why the \$19 paid to the employees for each lot sold was appropriate and allowable by state law or why the payments were not processed through the normal payroll process.

Office personnel did not provide documentation about these payments to the County Clerk's office to allow for processing through the county's payroll system, necessary payroll tax withholdings, or reporting on the employee's W-2 forms. Also, because the employees of the County Collector's office collected the trustee property sale receipts during their normal working hours as part of their regular duties, there is nothing to support that these employees should have received the additional compensation. Since there does not appear to be any increase in the time worked by the employees, these payments represent additional compensation in the form of a bonus for services previously rendered and, as such, are in violation of Article III, Section 39, of the Missouri Constitution.

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, and to properly report all non-wage payments, could result in penalty and interest charges assessed against the county. Also, Article III, Section 39, of the Missouri Constitution, prohibits granting any extra compensation to employees for services already rendered.

### 2.2 Excessive county trustee compensation

The compensation per lot paid to the County Trustee significantly exceeded the amount allowed by state law and the county did not issue 1099 forms for the amounts paid to the County Trustee. The County Trustee received at least \$23 from each trustee property lot sold, and received at least \$39,400<sup>11</sup> from 2018 to 2021 for trustee sales.

Section 140.260.7, RSMo, states compensation to trustees shall not be in excess of 10 percent of the price for which any such lands and lots are sold

<sup>10</sup> The amount received by the county employees was calculated using the county trustee property sales information included in the accounting firm's Independent Accountant's Report, dated May 24, 2022, and the assumption the county employees were paid \$19 for each lot sold.

<sup>11</sup> The amount received by the County Trustee was calculated using the county trustee property sales information included in the accounting firm's Independent Accountant's Report, dated May 24, 2022, and the assumption the County Trustee received \$23 for each lot sold.



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

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by the trustees. State law is unclear as to what constitutes the price of a lot sold. Conservatively, if the sale price was the full \$100 collected per lot sold, the trustee's compensation should have been no more than \$10 (10 percent of \$100) or approximately \$17,000 total. By comparison, if the sale price was just the \$1 approved by the County Commission for the value of the property, then state law would allow the trustee's compensation to be no more than 10 cents (10 percent of \$1) per lot sold or a total of approximately \$170. The minimum of \$23 per lot paid to the County Trustee is clearly in excess of the amount allowed by state law. In addition, Sections 6041 to 6050W of the Internal Revenue Code require non-wage payments of at least \$600 in one year to an individual be reported to the federal government on 1099-MISC forms.

The former County Collector's failure to ensure compensation paid to the county trustee complied with state and federal law resulted in the excess compensation paid to the County Trustee, the purchaser incurring unnecessary fees, and possible fines and penalties for the county.

### 2.3 Sales price

The county could not provide justification to support how the total price for the trustee property lots was determined. According to the January 30, 2012, County Commission meeting minutes, the County Commission approved selling Woodland Lakes properties handled by the county trustee at the price noted on the map shown at Appendix C. Notations on the map indicate "lots marked good to be sold at full price. All other lots to be sold for \$1 or \$50 based on the likeliness of the lot to be made campable." While the County Commission meeting minutes noted the sales price of the various Woodland Lakes lots, how or why the total cost was set at \$100 could not be explained.

Without justification or support for how the total cost was determined, it is unclear if the charged amounts were equitable and allowable, and how the trustee property sales receipts were intended to be distributed. In addition, maintaining sufficient documentation is necessary to support the validity of transactions, to provide an audit trail, and to ensure all receipts collected are properly distributed.

## Recommendations

The County Commission and the County Collector:

- 2.1 Ensure all compensation is paid through the county's normal payroll process, properly taxed, and reported to the IRS and the Missouri Department of Revenue as employee compensation; and complies with the Missouri Constitution.
- 2.2 Ensure compensation paid to the county trustee complies with state law and is reported to the IRS and the Missouri Department of Revenue on 1099 forms.



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Management Advisory Report - State Auditor's Findings

**Auditee's Response**

2.3 Evaluate the total sales price for each trustee property lot, and maintain documentation to support how the total sales price is determined and how the sales receipts are to be distributed.

2.1 *All compensation that is reported to the County Clerk's office is paid through the county's normal payroll process, properly taxed, and reported to the IRS and the Missouri Department of Revenue. The only reason the payments referred to in this finding were not paid using this process is because no one except the previous County Collector and her employees who received the payments were aware of these cash payments.*

2.2 *All payments to the County Trustee are now paid through the County Clerk's office and are appropriately reported to the IRS and the Missouri Department of Revenue on 1099 forms.*

2.3 *The county has hired a trustee who now turns in documentation indicating the sale price for each tract sold. This allows the County Clerk's office to ensure that the trustee will only be paid 10 percent of the sale price. The sale price is now determined to be the delinquent taxes due.*

**3. Tax Maintenance Fund**

As discussed in MAR finding number 1.2, the former County Collector improperly transferred money from the Tax Maintenance Fund to her personal bank account and made questionable and improper disbursements from the fund. In addition, the former County Collector paid employee bonuses from the Tax Maintenance Fund and did not transfer receipts monthly to the fund as required by state law. Receipts of the Tax Maintenance Fund totaled \$44,406 and \$49,472 for the years ended February 28, 2022, and 2023, respectively. The balance of the Tax Maintenance Fund was \$27,491 as of February 28, 2023.

**3.1 Employee bonuses**

The former County Collector approved 5 employee bonus payments, totaling \$11,989, during 2021 and 2022, in violation of the Missouri Constitution. The amount paid for each employee was calculated on the number of hours worked during previous periods at an additional rate of pay ranging from \$1.50 to \$2.30 per hour. The payments were in addition to regular payroll disbursements. These payments were processed by the County Clerk through the county's payroll system, and then disbursed to the employees. The County Clerk stated it was a common practice among county officials to pay bonuses to employees out of discretionary funds; however, this practice has since stopped. The following table provides a summary of the employee bonus payments.



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Payment Date	Covered Period	Employee	Hours Worked	Rate of Pay per Hour	Total Bonus Paid
04/26/21	01/11/21 - 04/23/21	Employee 1	555.0	\$ 1.80	\$ 999.00
		Employee 2	555.0	1.50	832.50
					1,831.50
08/13/21	04/26/21 - 08/13/21	Employee 1	600.0	1.80	1,080.00
		Employee 2	600.0	1.50	900.00
					1,980.00
11/17/21	08/16/21 - 12/31/21	Employee 1	750.0	2.30	1,725.00
		Employee 2	750.0	1.75	1,312.50
		Employee 3	454.5	1.50	681.75
					3,719.25
04/08/22	01/03/22 - 04/08/22	Employee 1	525.0	2.00	1,050.00
		Employee 3	525.0	1.75	918.75
					1,968.75
08/30/22	04/11/22 - 08/26/22	Employee 1	750.0	2.25	1,687.50
		Employee 3	534.5	1.50	801.75
					2,489.25
<b>Total Employee Bonuses</b>					<b>\$ 11,988.75</b>

Bonuses payments represent additional compensation for services previously rendered and, as such, are in violation of Article III, Section 39, the Missouri Constitution, and contrary to Attorney General's Opinion No. 72-1955 (June 14, 1955), which states, ". . . a government agency which derives its power and authority from the Constitution and laws of this state would be prohibited from granting extra compensation in the form of bonuses to public officers or servants after the service has been rendered."

### 3.2 Monthly receipts

The former County Collector did not transfer receipts into the Tax Maintenance Fund on a monthly basis as required by state law. Tax collections are deposited into the County Collector's general bank account and typically distributed to the various entities and funds the money is owed to by check or electronic transfer after the end of each month. However, distributions to the Tax Maintenance Fund were not made monthly as required by state law, and instead were often made for several months at one time. It is unclear why the former County Collector did not transfer receipts into the Tax Maintenance Fund on a monthly basis. See Appendix D for a summary of the transfers made from the County Collector's general bank account to the Tax Maintenance Fund bank account.



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In addition, the former County Collector transferred the October 2021 distribution, totaling \$1,520, to the Tax Maintenance Fund bank account twice, once in November 2021, and again in April 2022 with the distributions of November 2021 through February 2022. The former County Collector's practice of transferring multiple months at one time made it more likely such errors would occur.

Section 52.315.1 RSMo, states the two-sevenths collected to fund the Tax Maintenance Fund pursuant to Section 52.290, RSMo, and all money collected to fund the Tax Maintenance Fund under subsection 2 of Section 52.290, RSMo, shall be transmitted monthly for deposit into the Tax Maintenance Fund. Effective January 1, 2018, Section 52.290, RSMo, was modified to increase the delinquent penalty to 9 percent, with two-ninths of this penalty required to be paid to the Tax Maintenance Fund.

## Recommendations

The County Collector:

- 3.1 Discontinue paying employee bonuses.
- 3.2 Transfer receipts into the Tax Maintenance Fund monthly as required by state law and ensure the transfer amount is accurate.

## Auditee's Response

- 3.1 *The County Collector has discontinued the payment of bonuses to employees.*
- 3.2 *The County Collector transfers the distribution amount for the Tax Maintenance Fund following the distribution of money to the County Treasurer and entities during each monthly distribution process. A transfer record is generated, printed, and filed with the bank statements for the Tax Maintenance Fund account.*

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## 4. Accounting Controls and Procedures

Significant weaknesses existed in the former County Collector's accounting controls and procedures. Some improvements have been made under the current County Collector, but additional improvements are needed.

### 4.1 Receipting and cash controls

The current and former County Collector's procedures for receipting and depositing money need(ed) improvement.

- Office personnel did not always deposit receipts intact. For example, on February 17, 2021, the daily receipt report indicated office personnel collected cash totaling \$1,500 and checks/money orders totaling \$3,419. However, personnel made manual adjustments to the daily receipt report to indicate cash totaling \$1,300 and checks/money orders totaling \$3,619 had been collected. According to the Deputy County Collector, these





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adjustments were made to account for a \$200 money order that was used to pay for 2 county trustee property lots. The money order was added to the deposit and \$200 in cash was removed from the deposit and used to disburse the trustee sale proceeds in cash.

- The former County Collector did not account for the numerical sequence of receipt slip numbers to ensure money received had been properly recorded and deposited. The Deputy County Collector indicated she and other office personnel did not know the property tax system had the capability to print a report of daily transactions with receipt numbers.
- Current office personnel often share the same cash drawer when collecting receipts. Restricting access to cash drawers to only one person per drawer provides more assurance the responsible party can be identified in the event of loss, theft, or misuse of money. The Deputy County Collector stated sharing the cash drawer was the way it had always been done, and she was unsure how it started.

Failure to implement adequate receipting and depositing procedures increases the risk that loss, theft, or misuse of money received could occur and go undetected. Also, limiting access to the cash drawer is necessary to ensure responsibility for any losses or unreconciled differences can be determined.

### 4.2 Bank reconciliations

General account bank reconciliations prepared by the former County Collector were not always complete, accurate, or timely. As of January 30, 2023, the former County Collector had only completed bank reconciliations on the general account through August 2022.

The August 2022 bank reconciliation for the general account included a deposit in transit of \$9,341 from February 25, 2021, as a reconciling item. Upon further review, we noted the former County Collector had included this deposit in transit on each monthly bank reconciliation since February 2021. The February 2021 bank statement showed this deposit actually cleared the bank on February 26, 2021. Therefore, the former County Collector continued to report this deposit as a reconciling item in error, without investigating. With this error, the bank reconciliations prepared by the former County Collector showed the reconciled bank balance as agreeing to the general ledger account balance each month. We noted similar inaccurate deposit-in-transit reconciling items on other monthly bank reconciliations.

While the reconciled bank balance consistently agreed to the general ledger account balance according to the reconciliation, not all reconciling items (deposits in transit and outstanding checks) were accurate or traced to supporting documentation; therefore, the account was not actually in balance with the general ledger. Errors were caused by marking transactions as cleared when they had not cleared or recording incorrect information as



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reconciling items, such as the example above. The Deputy County Collector stated reconciliations were completed solely by the former County Collector. The Deputy County Collector was not aware of how the bank reconciliations were completed.

The preparation of complete and accurate monthly bank reconciliations is necessary to ensure accounting records balance, transactions are properly recorded, and errors or discrepancies are detected and resolved timely.

### 4.3 Liabilities

The former County Collector did not prepare lists of liabilities for the general or the ACH (installment) bank accounts, and consequently, liabilities were not agreed to reconciled bank balances. In addition, the former County Collector did not transfer the balance of the ACH bank account to cover tax liabilities paid in November 2022. It is unclear why the former County Collector did not prepare lists of liabilities for the general or the ACH bank accounts and why she did not transfer the balance of the ACH bank account when required.

#### General account

As of August 2022, the reconciled bank balance of the general bank account totaled \$424,401, and no list of liabilities was found to support this balance. The current County Collector opened new bank accounts for tax activity beginning March 1, 2023, and no new deposits were made to the bank accounts of the former County Collector, but the bank accounts remained open for checks to clear.

As of July 2023, the former County Collector's general bank account had a remaining balance of \$22,687. The makeup of this balance could not be identified by the current County Collector or current office personnel. The current County Collector closed the former County Collector's general bank account and transferred the remaining balance to one of his new bank accounts for holding.

#### ACH account

The former County Collector did not prepare lists of liabilities for the ACH bank account<sup>12</sup> in which installment payments were deposited and did not transfer the balance of the ACH bank account to the general account to cover tax liabilities paid in full in November 2022. Current office personnel prepared a listing of installment payments made during 2022 and reconciled

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<sup>12</sup> The ACH bank account is used to maintain deposits and disbursements of the installment program. Each year, from February through October, taxpayers enrolled in the program have monthly payments withdrawn electronically from their personal bank accounts and deposited into the ACH bank account. These payments are held until a taxpayer's tax bill can be fully paid, typically in November of each year. At that time, payments are recorded in the property tax system and applied to each respective taxpayer to reflect the payment of his/her tax liability, and the money is to be transferred to the general bank account for distribution to various entities and funds.



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the balance with the ACH bank account balance as of February 28, 2023, and noted a difference of \$19.

The payments for the taxpayers enrolled in the installment program during 2022 were posted as paid in the property tax system on November 1, 2022. However, the balance to cover these tax payments was not transferred from the ACH bank account until the current County Collector transferred \$52,615 in March 2023. Had the former County Collector reconciled liabilities to the bank balances for the general and ACH bank accounts, the November transfer error would have been identified.

### Conclusion

Without accurate lists of liabilities, regular comparison of liabilities to the available cash balances, and investigation of the differences, the County Collector has no assurance cash is sufficient to meet liabilities, there is less likelihood errors will be identified, and the ability to resolve errors is diminished. In addition, without timely transfers of installment payments from the ACH account to the general account, there may not be sufficient funds in the general account to distribute taxes as required.

### 4.4 Protested taxes

The former County Collector did not distribute protested taxes in a timely manner and did not maintain protested taxes in an interest bearing bank account as required by state law.

#### Timely distribution

The former County Collector did not distribute \$99,429 of protested taxes related to a case that was ordered to be distributed by the State Tax Commission on November 10, 2020. It is unknown why the former County Collector had not distributed these taxes. The taxpayer brought this issue to the attention of the current County Collector when he took office in January 2023. In March 2023, the current County Collector distributed protested taxes of \$90,827 to the political subdivisions and refunded protested taxes of \$8,602 to the taxpayer.

The former County Collector did not properly account for additional protested taxes of \$784 and \$295 received on December 14, 2020. Both payments were noted as being paid under protest and deposited into the protest bank account. However, the taxpayers did not file petitions for the recovery of the amounts protested in the Washington County Circuit Court within 90 days as required by Section 139.031, RSMo, and as a result, these taxes should have been distributed 90 days from the date of protest. Instead, the protested taxes remained in the protest bank account. The current County Collector researched the property tax system and identified that both of these protested taxes had already been posted as paid and distributed, but the taxes had not been transferred from the protested bank account. It is unclear why the former County Collector did not transfer these funds.



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In addition to being required by state law, timely distribution of property tax collections to the political subdivisions is necessary because most political subdivisions rely heavily on property tax revenues to fund their operations.

### Interest bearing

The former County Collector did not deposit protested taxes into an interest bearing account as required by state law. Section 139.031.7, RSMo, requires that all protested taxes impounded and disputed shall be invested by the collector in the same manner as assets specified in Section 30.260, RSMo, for investment of state money. Furthermore, Section 139.031.7, RSMo, requires the County Collector to disburse the proportional amount of interest earned either to the taxpayer, taxing authority, or both. It is unclear why the former County Collector did not deposit the protested taxes into an interest bearing account and both the taxpayer and the county were deprived of the interest earnings on this money while the protest was being resolved.

## Recommendations

The County Collector:

- 4.1 Ensure all receipts are deposited intact, account for the numerical sequence of receipt slip numbers, and limit access to the cash drawer.
- 4.2 Prepare accurate and timely bank reconciliations. Promptly investigate and resolve any differences identified.
- 4.3 Prepare monthly lists of liabilities and reconcile the listings to the reconciled bank balances, promptly investigate any differences, and if any money remains unidentified dispose of it in accordance with state law. In addition, establish procedures to ensure installment payments are transferred from the ACH bank account to the general bank account when payments are posted to the property tax system.
- 4.4 Ensure protested taxes are maintained in an interest bearing bank account, accounted for properly, and distributed in a timely manner.

## Auditee's Response

- 4.1 *The County Collector has established a procedure for processing all deposits intact and deposited on the day of the transaction. Daily Collection Receipt Reports are printed and compared with receipt numbers in consecutive order. Cash drawer use is limited to the staff on duty in the office and security cameras have been installed in the office.*
- 4.2 *The bank reconciliation process has been updated and is ongoing, including reviewing prior period records in an attempt to reconcile those as well as reconciling current activity. Any differences will be investigated and resolved.*



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4.3 *Liabilities are being identified with current balances for the General, Bankruptcy, and ACH accounts. Any differences will be investigated and resolved. ACH accounts are set up for current year tax installments and are transferred to the account holder's tax account following November 1st when the current year tax bill is due. A bill is generated for the difference and is sent to the account holder.*

4.4 *Protest accounts will be identified and held in an interest-bearing account and processed as resolved in accordance with state law.*

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## 5. Property Tax System

Controls and procedures over the property tax system need improvement.

### 5.1 Review of property taxes

The County Commission does not perform any procedures to verify the accuracy and completeness of the County Collector's annual settlements as required by state law. As a result, there is an increased risk of loss, theft, or misuse of property tax money going undetected, and less assurance the annual settlements are complete and accurate. The County Commission indicated it was unaware of the need to review the annual settlements.

Section 139.190, RSMo, requires the County Commission to carefully and fully examine the annual settlement of the County Collector. Such procedures are intended to establish checks and balances related to the collection of property taxes.

### 5.2 Annual settlements

The current County Collector has not completed and filed an annual settlement for the years ended February 28, 2023, and February 29, 2024, in violation of state law. The current County Collector indicated that he had not filed the annual settlements yet because the settlements did not balance. In addition, the distribution amounts were the same on the 2023 and 2024 annual settlements, and the total distributions were not mathematically correct on either annual settlement. The annual settlements are produced from the County Collector's computer system; however, the current County Collector is not familiar with how the annual settlements are compiled and could not explain the distribution amounts reported. Because the County Collector has not filed annual settlements, the County Commission cannot verify the County Collector's accounts.

To help ensure the validity of tax book charges, collections, and credits, and for 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.



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**Recommendations**

- 5.1 The County Commission develop procedures to review the accuracy and completeness of the County Collector's annual settlements.
- 5.2 The County Collector prepare and file annual settlements in accordance with state law.

**Auditee's Response**

- 5.1 *The County Collector year closes at the end of February and the annual settlement will be presented to the County Commission as a complete review of the year with specific information on collections, disbursements, and abatements. The County Commission and the County Collector will work together to establish a process for the County Commission to verify the information on the annual settlement.*
- 5.2 *The County Collector is working with the computer software company that is contracted for collections to provide correct and accurate information for the 2022 and 2023 tax years as required by state law. Annual settlements will be completed timely in the future.*

Appendix A

Washington County Collector and Property Tax System  
Undeposited Trustee Property Sales Receipts  
January 1, 2018, through December 31, 2021

Year	Total Amount Paid	Collector's Deed Recorder Fees	Trustee's Deed Recorder Fees	Sale Price	Remaining Balance
2018	\$ 36,124	5,559	4,596	12,749	13,220
2019	22,117	4,629	4,242	3,061	10,185
2020	79,957	14,235	11,166	10,148	44,408
2021	66,176	10,140	8,238	8,530	39,268
Total	\$ 204,374	34,563	28,242	34,488	107,081

Source: Daniel Jones and Associates, P.C., Independent Accountant's Report, dated May 24, 2022.

Appendix B

Washington County Collector and Property Tax System  
 Improper and Questionable Tax Maintenance Fund Activity  
 September 1, 2018, through January 23, 2023

Date	Description	Amount
Improper transfers from the Tax Maintenance Fund:		
09/25/18	Transfer to personal bank account	\$ 200.00
10/09/18	Transfer to personal bank account	200.00
11/19/18	Transfer to personal bank account	1,500.00
12/21/18	Transfer to personal bank account	500.00
12/26/18	Transfer to personal bank account	300.00
03/18/19	Transfer to personal bank account	500.00
07/01/19	Transfer to personal bank account	500.00
		<u>3,700.00</u>
Questionable disbursements from the Tax Maintenance Fund:		
12/24/19	Check payable to Carla Zettler	1,000.00
09/04/20	ATM withdrawal	400.00
01/20/21	ATM withdrawal	400.00
09/10/21	Debit card purchase-Rhodes Convenience Store	42.55
09/16/21	Debit card purchase-Walmart	52.30
04/13/22	ATM withdrawal	400.00
04/25/22	Debit card purchase-Longhorn Steakhouse	45.49
(1) 06/23/22	Check payable to Recorder of Deeds	870.40
		<u>3,210.74</u>
Total Improper and Questionable Tax Maintenance Fund Activity		\$ <u><u>6,910.74</u></u>

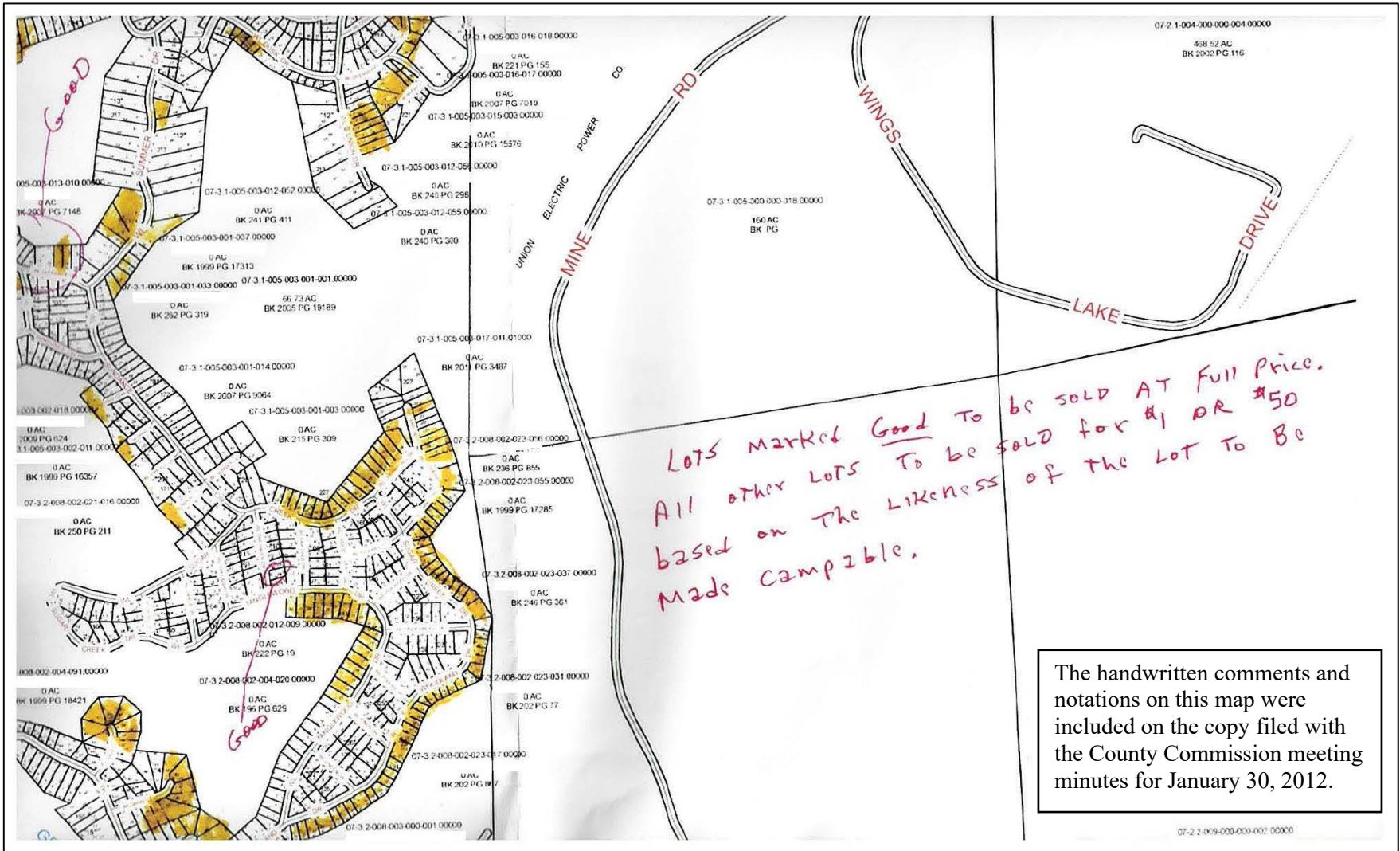
(1) This check did not clear the bank. It was taken into evidence by the Missouri State Highway Patrol from the Recorder of Deeds prior to deposit.

Source: Tax Maintenance Fund bank account records.



Appendix C

Washington County Collector and Property Tax System  
Map of Sales Prices for Woodland Lake Lots  
From County Commission Meeting Minutes for January 30, 2012



Appendix D

Washington County Collector and Property Tax System  
 Tax Maintenance Fund Receipts  
 March 1, 2021, through January 23, 2023

Month	Amount to be Distributed (1)	Date of Transfer	Actual Transfer Amount	Difference
March 2021 (2)				
April 2021	\$ 4,492.96	05/04/21	\$ 4,492.96	\$ 0.00
May 2021	2,185.48			
June 2021	3,361.99			
July 2021	3,561.03			
August 2021	2,995.56			
September 2021	829.53			
	<u>12,933.59</u>	10/08/21	12,933.59	0.00
October 2021	1,520.20	11/30/21	1,520.20	0.00
November 2021	1,279.01			
December 2021	2,131.98			
January 2022	8,801.04			
February 2022	5,276.03			
	<u>17,488.06</u>	04/08/22	19,008.26	1,520.20 (3)
March 2022	7,255.90	04/14/22	7,255.90	0.00
April 2022	3,166.78			
May 2022	2,863.10			
June 2022	4,272.27			
July 2022	3,605.76			
	<u>13,907.91</u>	08/17/22	13,907.91	0.00
August 2022	3,476.07			
September 2022	1,172.90			
October 2022	1,008.10			
November 2022	1,011.27			
December 2022	2,079.96			
	<u>8,748.30</u>	01/20/23	<u>8,748.30</u>	<u>0.00</u>
Total	\$ <u>66,346.92</u>		\$ <u>67,867.12</u>	\$ <u>1,520.20</u>

- (1) Receipts of the Tax Maintenance Fund are required to be distributed monthly from the County Collector's general bank account. The monthly amount to be distributed was scheduled from the monthly property tax distribution reports prepared by the County Collector's office.
- (2) The March 2021 distribution to the Tax Maintenance Fund was combined with several previous months for a transfer totaling \$25,412.86 made on April 6, 2021.
- (3) The transfer made on April 8, 2022, was \$1,520.20 more than it should have been due to the County Collector's office making the October 2021 distribution twice; once in November 2021, and again in April 2022.

Source: County Collector property tax distribution reports and bank account records.