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Missouri State Auditor

Butler County Collector and Property Tax System

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CITIZENS SUMMARY

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

Background	On August 3, 2014, a vacancy occurred in the County Collector's office due to County Collector Brenda Fox's death. The Governor appointed M. Chris Michel as County Collector and he served from September 18, 2014, until March 2, 2015, at which time newly elected County Collector Emily Parks took office.
Property Tax System Controls and Procedures	Access to the property tax system is not adequately restricted, voided transactions are not periodically reviewed or compared to supporting documentation, and personnel do not maintain adequate documentation to support voided transactions. The account book and annual disbursement reconciliation maintained by the County Clerk is not complete and accurate, and neither the County Clerk nor the County Commission adequately review or approve the County Collector's annual settlement. In addition, the County Clerk does not prepare or verify the accuracy of the current or delinquent tax books, and the County Collector does not monitor or subsequently reduce the percentage used to calculate amounts withheld from tax collections for the Assessment Fund. This weakness resulted in the County Collector withholding $30,341 more than allowed by state law during the year ended February 28, 2014. The County Collector's office also did not apply tax payments to the oldest delinquent taxes first, in violation of state law.
Drainage District and City Taxes	County Collector Fox billed drainage districts $1,500 in total for preparing their tax books without statutory authority to do so and also charged $841 in commissions and fees in excess of those authorized by law. Also, she reported withholding $9,600 in commissions to the drainage districts but issued checks to herself totaling $10,331, a difference of $731. The County Collector does not have adequate procedures in place to ensure drainage district collections are fully disbursed and ensure disbursements are processed timely. Drainage district tax collections were sometimes allowed to accumulate for up to 10 months before distribution. Also, additional commissions of almost $1,100 may still be owed to County Collector Fox's estate. County Collector Michel declined to accept personal commissions for the collection of drainage district taxes, and transmitted these commissions to the County Treasurer in violation of state law. As of February 2015, he had transmitted commissions totaling approximately $9,200 to the County Treasurer.
County Collector Controls and Procedures	The County Collector does not always issue receipt slips for partial payments timely, and does not ensure all monies received for partial payments from taxpayers who are unable to pay their tax bills in full are properly recorded and deposited. The County Collector does not prepare a list of liabilities for the main bank account and does not compare liabilities to reconciled bank balances monthly. The County Collector has not adequately segregated the duties of receiving, recording, depositing, and disbursing monies, and documented independent or supervisory reviews of

accounting and bank records are not performed. In addition, County Collector Fox did not distribute interest earned on protested taxes to the appropriate taxing authorities upon resolution of the taxes. During the year ended February 28, 2014, County Collector Fox disbursed approximately $55,000 in protested taxes to taxing authorities, but did not include the proportional share of interest earned on the taxes in the distributions as required by state law. She also did not maintain documentation supporting the calculation for the interest distributed to a taxpayer whose protested taxes were partially abated.

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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JOHN WATSON
Missouri State Auditor

To the County Commission
and
County Collector
Butler County, Missouri

We have audited the County Collector and Property Tax System of Butler 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 August 3, 2014, a vacancy occurred in the office of the County Collector of Butler County. A successor was appointed and sworn into office effective September 18, 2014. The scope of our audit included, but was not necessarily limited to, the period from March 1, 2014, to August 3, 2014, and the year ended February 28, 2014. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant property tax functions.

2. Evaluate the county's compliance with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We 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 contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the County Collector and county management and was not subjected to the procedures applied in our audit of the County Collector and Property Tax System.

Section 52.150, RSMo, requires the County Commission to accept the State Auditor's report and, if necessary, to take certain specific actions if the State Auditor finds any monies owing 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 Butler County.

John Watson
State Auditor

The following auditors participated in the preparation of this report:

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1. Property Tax System Controls and Procedures

Significant weaknesses exist in controls and procedures over the property tax system.

1.1 Tax system access

On August 3, 2014, a vacancy occurred in the County Collector's office due to County Collector Brenda Fox's death. The Governor appointed M. Chris Michel as County Collector and he served from September 18, 2014, until March 2, 2015, at which time newly elected County Collector Emily Parks took office. Audit fieldwork occurred during the period Mr. Michel served as County Collector. Newly elected County Collector Parks provided the responses to the recommendations included in our report and will be responsible for implementation of corrective actions she or other county officials deem necessary. Unless otherwise stated, the problems described existed during the terms of Brenda Fox and M. Chris Michel.

Access to the property tax system is not adequately restricted. The County Collector and office personnel can make changes to individual tax records, including processing additions and abatements, and can void receipt transactions after they are completed. Voided transactions are not periodically reviewed or compared to supporting documentation. Voided transactions are included in reports that can be generated from the property tax system including the daily report of collections or a refunds report. Personnel do not maintain adequate documentation to support voided transactions, other than copies of checks to support transactions voided due to insufficient funds. Because the County Collector and office personnel are responsible for collecting tax monies, good internal controls require they not have system access rights allowing them to alter or delete assessed values, property tax billings, or property tax receipts. With unrestricted access, there is an increased risk of unsupported or unauthorized changes occurring in the property tax system after property taxes are approved for the year.

To prevent unauthorized changes to the property tax records, system access should be limited based on user needs. In addition, retaining documentation to support voided transactions helps ensure such transactions are appropriate and reduces the risk of errors, loss, theft, or misuse of funds.

1.2 Review of activity

Neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector. The account book and annual disbursement reconciliation maintained by the County Clerk is not complete, does not track all taxes charged to the County Collector, and does not agree to the annual settlements submitted by the County Collector. In addition, the County Clerk and County Commission do not adequately review and approve the County Collector's annual settlement.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An accurate account book or other records that summarizes all taxes charged to the County Collector, monthly collections, delinquent credits, additions and abatements, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure taxes charged and credited to the County Collector are complete and accurate and could also be used by the County Clerk and County Commission to verify the County Collector's annual settlements. Such procedures are intended to establish checks and balances related to the collection of property taxes.

1.3 Tax books

The County Clerk does not prepare or verify the accuracy of the current or delinquent tax books prepared by the property tax system vendor. A review of the tax books should include verification of individual entries in the tax books and recalculating tax book totals and charges. Failure to prepare and review the tax books and test individual tax statement computations may result in errors, irregularities, or misuse going undetected.

Sections 137.290 and 140.050, RSMo, require the County Clerk to extend the current and delinquent tax books and charge the County Collector with the amount of taxes to be collected.

1.4 Assessment withholdings

The County Collector does not monitor or subsequently reduce the percentage used to calculate amounts withheld from tax collections for the Assessment Fund, and as a result, $30,341 more was withheld from tax collections and disbursed to the Assessment Fund than allowed by state law during the year ended February 28, 2014.

Sections 137.720.1, 137.720.3, 137.082.6, RSMo, each provide a percentage be deducted from property tax collections and deposited into the Assessment Fund (1 percent, 0.5 percent, and 0.2 percent, respectively, for a total of 1.7 percent). However, Section 137.720.3, RSMo, limits the 0.5 percent deduction to $75,000. After this limit is reached, the total percentage used should be reduced to 1.2 percent. Adequate monitoring and proper calculation of Assessment Fund withholdings is necessary to ensure compliance with statutory provisions.

1.5 Collection of delinquent taxes

County Collector Fox's office did not apply tax payments to the oldest delinquent taxes first, in violation of state law. We reviewed ten accounts included in the delinquent tax books as of March 1, 2013, and noted payment activity for three of these accounts did not comply with statutory requirements regarding the order in which tax payments are to be applied.

- One real estate property tax account indicated payment of the 2011 taxes in September 2013 and payment of the 2012 taxes in December 2012.

- One personal property tax account indicated payment of the 2008 taxes in December 2013 and payment of the 2010 to 2012 taxes in their respective tax years. No payment history for the 2009 taxes could be located; however, we confirmed the 2009 taxes were not delinquent.

- Another personal property tax account indicated abatement of the 2008 taxes during January 2014 and payment of the 2010 to 2012 taxes in their respective tax years. No payment history for the 2009 taxes could be located; however, we confirmed the 2009 taxes were not delinquent. County Collector's office staff could not provide any documentation supporting abatement of the 2008 taxes.

Sections 140.110.2 and 140.110.3, RSMo, require payment of personal and real property taxes to be applied to the oldest of any delinquent taxes before accepting payment for current taxes. Without adequate procedures in place to ensure compliance with these statutory requirements, there is an increased risk that personal property taxes could be outlawed and never collected. Additionally, taxpayers may not be aware that real estate property taxes remain delinquent that could result in increased penalties and interest and could also result in properties being sold at a tax sale.

Similar conditions previously reported

Similar conditions to sections 1.3 and 1.4 were noted in our prior audit (Report No. 2012-60, *Butler County*, issued in June 2012).

Recommendations

1.1 The County Commission and the County Clerk ensure property tax system access is restricted to only allow officials and personnel to access functions necessary for their duties. In addition, the County Collector should maintain documentation of all voided transactions and periodically review reports of voided transactions and compare report information to supporting documentation.

1.2 The County Clerk maintain an accurate and complete account book with the County Collector. In addition, the County Clerk and the County Commission should use the account book to review the accuracy and completeness of the County Collector's annual settlements.

1.3 The County Clerk prepare the current and delinquent tax books, or verify the accuracy of the tax books prior to charging the County Collector with the property tax amounts.

1.4 The County Collector recalculate assessment withholdings for current and prior years and disburse amounts owed to the taxing authorities from the Assessment Fund. The County Collector should also ensure the percentage to be deducted from property taxes for

the Assessment Fund is properly reduced in future years once the $75,000 limit is reached.

1.5 The County Collector apply all property tax payments to the oldest taxes due as required by state law.

Auditee's Response

The County Commission and County Clerk provided the following responses:

1.1 We agree and it is our understanding that programming changes have already been made to the system to restrict access and prevent County Collector's personnel from making changes to the system.

1.2 We agree. The County Clerk will ensure all activity is recorded in the account book and agrees to the County Collector's records. The County Commission and the County Clerk will perform a documented review and approval of the annual settlement and ensure the account book reconciles to the annual settlement.

The County Clerk provided the following response:

1.3 I agree and am now performing and documenting a review of the tax books and confirming the accuracy of the tax books, including levies, on a test basis.

County Collector Parks provided the following responses:

1.1 I will take this under advisement and have instructed my staff to ensure they include sufficient comments or reasons and retain appropriate documentation to support all voided transactions or reversals.

1.4 I agree and will consult with the Prosecuting Attorney to review Assessment Fund withholdings for prior years and determine how to properly refund the excess withholdings. I am working with the County Assessor and other county collectors to determine the proper monitoring procedures necessary to accurately track the amount of Assessment Fund withholding collected and ensure the percentage is properly reduced once the limit is reached.

1.5 I agree and office procedure is for all payments to be applied to the oldest taxes due first. I will consult with the programmer to ensure the system has proper edits in place to prevent tax payments from being posted out of order.

2. Drainage District and City Taxes

Significant weaknesses exist in handling of property tax collections for drainage districts and we identified issues with the payment of personal commissions for drainage district and city taxes. The County Collector bills and collects taxes on behalf of 5 drainage districts established by the Circuit Court.

2.1 Drainage district tax book preparation

County Collector Fox performed and billed drainage districts for services not allowed by state law.

In October 2013, County Collector Fox billed the drainage districts $1,500 in total (fees ranging from $100 to $500) for preparing the 2013 tax books. Based on review of deposit records and discussions with the County Treasurer, we determined these monies were not deposited in the County Collector's bank account or remitted to the County Treasurer. It appears County Collector Fox personally retained these fees which is consistent with how other drainage district commissions were handled. County Collector Michel indicated his office again prepared the tax books for the drainage districts for the 2014 tax year but he did not charge a fee.

The County Collector is responsible for collecting property taxes for the drainage districts and, as a result, should not prepare the tax books because performing both functions does not provide for adequate segregation of duties. Additionally, there is no statutory provision authorizing the County Collector to prepare these tax books or charge a fee for this service. Section 242.450.4, RSMo, provides that it is the duty of the secretary of the district board of supervisors to prepare a list of all taxes levied each year.

2.2 Drainage district commissions and fees

County Collector Fox charged and personally retained additional commissions and fees for delinquent drainage district tax collections that were not authorized by state law.

The property tax system adds certain fees to the face of the tax bill, in addition to statutorily authorized interest, including a commission of 2 percent of the tax bill, a clerk fee of $0.15, and a collector fee of $0.10 per parcel. The clerk fee and collector fee are assessed twice on each parcel of land, once on the real estate taxes and again on the drainage district taxes. During the year ended February 28, 2014, these additional commissions and fees (excluding interest) totaled approximately $841 for all districts. There is no statutory authority for the County Collector to assess the additional commission. The commission added to the tax bill is independent of commissions authorized by Chapter 52, RSMo, which are manually deducted from tax collections prior to disbursing taxes. In accordance with Sections 52.250, 52.275, and 52.269.3, RSMo, the County Collector manually deducts a commission of 2 percent from collections. Additionally, while state law allows the County Collector to assess a clerk fee and

collector fee per parcel, the fee should only be assessed once on each parcel of land.

The County Collector periodically prepares a report of collections for each drainage district that includes total taxes, interest, commissions withheld, and amounts distributed by tax year and month(s) of collections, and issues a check to the district. For the year ended February 28, 2014, County Collector Fox reported to the districts that she withheld commissions totaling $9,600. However, she issued checks to herself for personal commissions totaling $10,331, a difference of $731. The difference resulted because additional fees added to the face of the tax bill (excluding interest) were not reported. The difference between collections and distributions was less than the $841 in unallowable fees identified above because not all collections were disbursed and commissions are not withheld until collections are disbursed.

2.3 Drainage district distributions

The County Collector does not have adequate procedures in place to ensure drainage district collections are fully disbursed and ensure disbursements are processed timely.

There are multiple records generated that include drainage district tax collections including the monthly settlement, monthly reports of drainage district collections generated from the property tax system, and manual reports of collections and distributions. There is no reconciliation between these records to ensure all taxes collected are disbursed and we noted unexplained differences.

For the year ended February 28, 2014, drainage district collections totaling $480,964 were recorded in the property tax system. County Collector Fox issued checks totaling $470,295 to the districts and $10,331 to herself, resulting in checks issued totaling $480,626, for a difference of $338. We reviewed all activity for one district for the year and noted a portion of the October 2013 and February 2014 collections were not disbursed. We also did not identify the undistributed collections for this district on reports for March 2014 through July 2014 collections. We notified County Collector Michel of this discrepancy and he agreed it is probable some collections for other districts were not disbursed based on the differences noted.

We noted drainage district tax collections were sometimes allowed to accumulate for up to 10 months before distribution. County Collector's office staff could not explain how County Collector Fox tracked which collections had been disbursed or were still held in the bank account, and indicated there were no established policies on how often to distribute the drainage district collections. Staff indicated disbursements were done monthly during December and January but were held for longer periods during the rest of the year. Without adequate procedures in place there is an

increased risk that any collections not distributed may be forgotten and would continue to be held in the bank account.

2.4 Payment of personal commissions

Additional commissions may be owed to County Collector Fox's estate but the county has not determined the proper disposition of these monies. Additionally, County Collector Michel declined to accept personal commissions for collection of drainage district taxes and has instead withheld and transmitted these commissions to the County Treasurer, in violation of state law.

At the time of County Collector Fox's death several months of drainage district collections had not been disbursed. As previously noted, personal commissions on drainage district taxes are not paid until such time as the taxes are distributed. Additionally, the County Collector collects taxes on behalf of a city. While city taxes are distributed monthly, the city pays a 1 percent personal commission annually to the County Collector as specified in contract terms. This commission is generally not paid until March of each year, after the tax year has ended and the County Collector submits an invoice. County Collector Michel invoiced the city for his share of commissions after the close of the tax year but has not received payment as of March 23, 2015.

- Using information from the property tax system we estimated the total city and drainage district commissions relating to County Collector Fox's term of office but not paid to her or her estate is approximately $1,100, including commissions for taxes collected during the period March 2014 to July 2014.

- According to County Collector Michel, drainage district commissions withheld and transmitted to the County Treasurer totaled about $9,200 as of February 25, 2015. These amounts include commissions withheld for collections through December 2014, including commissions on taxes collected during County Collector Fox's term of office. State law does not allow for the payment of these monies to the county.

Section 52.269.3, RSMo, requires the County Collector to retain drainage district commissions as compensation for services performed. Also, in *Reed v. Jackson County*, 142 S.W.2d 862, 865 (Mo 1940), the Missouri Supreme Court stated, "To permit public officers elected or appointed to receive by agreement or otherwise, a less compensation for their services than fixed by law, would be contrary to public policy of the state." Therefore, these fees are part of the County Collector's statutorily authorized compensation and the county is not entitled to retain and expend those monies, even if the County Collector refuses them. The county should seek legal advice to determine the proper disposition of these monies.

Recommendations

2.1 The County Collector discontinue the practice of preparing tax books for drainage districts.

2.2 The County Collector discontinue assessing commissions and fees not authorized by state law.

2.3 The County Collector improve controls and procedures to ensure completeness of the tax distributions to the drainage districts and ensure all drainage district tax collections are distributed timely.

2.4 The County Clerk and County Commission work with the County Collector to determine the proper disposition of city and drainage commissions earned by County Collector Fox. Additionally, the County Collector and County Commission should comply with state law regarding payment of personal commissions.

Auditee's Response

County Collector Parks provided the following responses:

2.1 I will discontinue the practice of preparing tax books for drainage districts and will consult with other county officials on alternative procedures that could potentially be implemented to allow the county to assist the drainage districts with preparation of tax books.

2.2 I will work with the programmer to ensure the drainage fees and commissions are assessed properly.

2.3 I will ensure drainage district taxes are distributed monthly and implement procedures to ensure the completeness of distributions.

The County Clerk, County Commission, and County Collector Parks provided the following response:

2.4 The County Commission and County Clerk will consult with the Prosecuting Attorney to determine the appropriate method of calculating and disbursing the city and drainage district commissions earned by the former County Collector. The current County Collector will accept personal commissions on the drainage and city taxes. The County Commission and County Clerk will consult with the Prosecuting Attorney to determine how to distribute drainage commissions that have been transmitted to the County Treasurer which may include sending payment to the appointed County Collector, though he initially refused to accept these commissions, or refunding those amounts to the drainage districts.

3. County Collector Controls and Procedures

Weaknesses exist in the County Collector's controls and procedures. The County Collector's office processed collections totaling approximately $23.6 million during the year ended February 28, 2014.

3.1 Partial payments

The County Collector does not deposit most monies received for partial payments, does not always issue receipt slips for partial payments timely, does not always post the partial payments to the partial payment ledger timely, and does not periodically reconcile the partial payment ledger to amounts on hand or in the bank account.

The County Collector accepts partial payments from taxpayers who are unable to pay their tax bills in full and maintains a ledger of partial payments received from taxpayers. If a check or money order is used to make a partial payment, the check or money order will generally be deposited with the day's receipts with a corresponding amount of cash withheld from that deposit and placed in the vault for safekeeping. Office staff indicated the majority of partial payments are held in the vault until the final payment though in some instances partial payments are deposited into the miscellaneous bank account for safekeeping.

On October 6, 2014, we counted 48 envelopes containing cash totaling $7,031. Additionally, we counted $1,279 in checks for 4 partial payments received during September 2014 that had not been deposited or cashed. For 3 of these payments totaling $679, the payments had not been receipted and had not been posted to the partial payment ledger. Additionally, partial payments totaling $19,603 on behalf of 5 customers were held in the miscellaneous bank account as of July 31, 2014, but monies held for 3 of those customers totaling $17,590 were not included in the partial payment ledger.

To ensure all monies received for partial payments are properly recorded and deposited and to reduce the risk of loss, theft, or misuse of funds, the County Collector should deposit partial payments timely, issue receipt slips for all partial payments received, ensure amounts received are posted to the partial payment ledger timely, and reconcile the partial payment ledger to amounts on hand or in the bank account.

A similar condition was noted in our prior audit (Report No. 2012-60, *Butler County*, issued in June 2012).

3.2 Liabilities

The County Collector does not prepare a monthly list of liabilities for the main bank account and does not compare the reconciled bank balances to existing liabilities for any accounts. The County Collector maintains 3 bank accounts including the main account, protested account, and miscellaneous

account. The miscellaneous account is used for holding some partial payments and depositing and disbursing property taxes received on behalf of other counties. The County Collector maintains a perpetual list of liabilities for the protested and miscellaneous accounts but does not periodically prepare a list of liabilities for the main account, and lists prepared are not agreed to the month-end reconciled bank balances.

- At our request, an office clerk prepared a list of liabilities for the main account as of July 31, 2014, and the list totaled $255,514. The reconciled account balance totaled $253,073 ($2,441 less than identified liabilities).

- As of July 31, 2014, the protested bank account had liabilities totaling $289,451. This amount includes undistributed interest and protested taxes. The reconciled account balance totaled $271,680 ($17,771 less than identified liabilities). The County Collector's office reported taxes for two protested parcels totaling $18,660 were mistakenly disbursed with monthly collections in December 2013 because staff failed to record the parcels as protested in the tax system. These monies were originally deposited to the protested account but were disbursed from the main account; however, County Collector Fox transferred monies to the main account to correct this error. The protested bank account will continue to be short $18,660 until resolution of those protested taxes. Consideration of this error results in an unidentified balance of $889 in the bank account.

- As of July 31, 2014, the miscellaneous bank account had $19,603 in liabilities. The reconciled account balance, including $162 still due to the miscellaneous account from the main account as a result of monies deposited in the wrong account, totaled $20,175 ($572 more than identified liabilities).

A list of liabilities should be prepared monthly and reconciled to cash balances to ensure sufficient cash is available for the payment of all amounts due and all monies in the bank account can be identified. Prompt follow up on discrepancies is necessary to resolve errors and ensure monies are properly disbursed.

3.3 Segregation of duties

The County Collector has not adequately segregated accounting duties and independent or supervisory reviews of accounting records are not performed. The Office Manager and a clerk both perform the duties of receiving, recording, and depositing monies. Additionally, the clerk disburses property taxes and reconciles the bank accounts. The County Collector does not perform a documented review of accounting records or a comparison of monies received to those deposited.

In addition, the County Collector performs all disbursement procedures, including the calculation and payment of commissions, for taxes collected on behalf of drainage districts. The County Collector is responsible for periodically preparing reports of taxes collected for each district, calculating the commissions to be withheld, issuing checks for commissions, and issuing checks to the districts for tax collections. An independent review would help ensure the accuracy and propriety of these transactions since the calculations must be performed manually.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving, recording, depositing, and disbursing monies. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of accounting and bank records are essential and include comparing daily receipt activity to deposits.

3.4 Protested interest

County Collector Fox did not distribute the applicable amount of interest earned on protested taxes to the taxing authorities upon resolution of the taxes and also did not maintain documentation supporting interest distributed to a taxpayer upon resolution of protested taxes.

The County Collector deposits protested taxes in a separate interest-bearing bank account and tracks the total undistributed interest on a ledger. As of July 31, 2014, the County Collector was holding protested taxes totaling approximately $269,200 from various taxpayers and tax years and the ledger indicated undistributed interest totaled approximately $1,600.

County Collector Fox disbursed approximately $55,000 in real estate property taxes to taxing authorities during the year ended February 28, 2014, for nine parcels that had been protested by taxpayers but no interest was distributed to the taxing authorities as required by state law. One of the nine parcels resulted in a partial abatement of taxes due for tax years 2007 and 2008, resulting in a refund due to the taxpayer of approximately $24,000. For this parcel County Collector Fox distributed $60 of interest to the taxpayer but did not document how this amount was determined.

County Collector's office staff indicated County Collector Fox handled most of the duties related to protested taxes and they were not familiar with the statutory requirements related to interest on protested taxes. The County Collector should ensure the appropriate amount of interest is disbursed or refunded as the value of each parcel is resolved.

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. To ensure interest earned on the protested account is

properly distributed, controls should be in place to ensure interest is properly allocated and proper records are maintained.

Recommendations

The County Collector:

3.1 Implement procedures to ensure partial payments are receipted, posted to the ledger, and deposited timely. Additionally, the County Collector should periodically reconcile the partial payment ledger to total partial payments on hand or held in the bank account.

3.2 Prepare monthly lists of liabilities, reconcile the lists to the reconciled bank balance, and promptly investigate any differences.

3.3 Segregate accounting duties to the extent possible or ensure adequate independent or supervisory review of accounting and bank records are performed and documented.

3.4 Adopt procedures to ensure future interest allocations and distributions are accurate and comply with state law.

Auditee's Response

County Collector Parks provided the following responses:

3.1 I agree and have discontinued acceptance of partial payments. All partial payments have been deposited and my staff have contacted the rightful owners by letter allowing 60 days to claim the money or the money will be turned over to the state's unclaimed property section.

3.2 I have deposited $2,441 in the main account from the Tax Maintenance Fund to mitigate the shortage identified by the auditors and will attempt to identify the owners of the surplus amounts in the other two accounts. I will prepare a monthly list of liabilities for each account, reconcile to the bank balance, and investigate any differences.

3.3 I will attempt to segregate duties to the extent possible or perform supervisory reviews of the collection, deposit, and disbursement functions. I will work with the County Commission and County Clerk to consider whether drainage commissions should first be transmitted to the county and then paid out to me by the County Treasurer in order to better segregate duties.

3.4 I will implement procedures to ensure future interest is adequately tracked and properly distributed to both taxpayers and taxing authorities as appropriate.

Butler 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).

Brenda Fox served as County Collector until August 3, 2014. She had served in that capacity since 1999 and was reelected for three additional terms. M. Chris Michel was appointed as Butler County Collector and sworn into office on September 18, 2014. Emily Parks was later elected and although she took office on March 2, 2015, she was sworn in as the County Collector in January 2015 to expedite the bonding process.

The former County Collector received compensation of $26,670 for the period March 1, 2014, through August 3, 2014. During the year ended February 28, 2014, the former County Collector received compensation of $87,864. The former County Collector's base compensation was in accordance with statutory provisions. However, some drainage district fees or commissions paid to the former County Collector were not in accordance with statutory provisions as discussed in MAR finding numbers 2.1 and 2.2.