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Cooper County Collector and Property Tax System

November 2015

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CITIZENS SUMMARY

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

Background	On June 14, 2015, a vacancy occurred in the County Collector's office due to County Collector Carol Nauman's death. The Governor appointed Diana Thomas as County Collector on August 11, 2015.
County Collector's Controls and Procedures	The County Collector does not prepare monthly lists of liabilities, and therefore, liabilities are not reconciled to the cash balance for any of the bank accounts with liabilities. The County Collector does not transmit money from the credit card account to the general account in a timely or consistent manner. As noted in a prior report, the County Collector has not established procedures to routinely follow up on outstanding checks.
Review of Annual Settlements	As noted in a prior report, the financial activities of the County Collector were not reviewed by the County Clerk or the County Commission. The County Clerk does not maintain an adequate account book or other records to summarize property tax charges, transactions, and changes. The spreadsheets maintained by the County Clerk does not include protested or delinquent taxes. In addition, adequate procedures are not performed to verify the accuracy and completeness of the County Collector's annual settlements.

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

*****The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

Excellent: The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.

Good: The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.

Fair: The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.

Poor: The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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Cooper County Collector and Property Tax System
Table of Contents

State Auditor's Report 2

Management Advisory Report - State Auditor's Findings
1. County Collector's Controls and Procedures 4
2. Review of Annual Settlements 6

Organization and Statistical Information 7

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Missouri State Auditor

To the County Commission
and
County Collector
Cooper County, Missouri

We have audited the County Collector and Property Tax System of Cooper 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 June 14, 2015, a vacancy occurred in the office of the County Collector of Cooper County. A successor was appointed and sworn into office effective August 11, 2015. The scope of our audit included, but was not necessarily limited to, the period of March 1, 2015, to June 14, 2015, and the year ended February 28, 2015. The objectives of our audit were to:

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

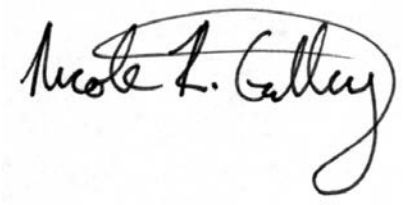
2. Evaluate the county's compliance with certain legal provisions.

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 Cooper County.



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1. County Collector's Controls and Procedures

Controls and procedures in the County Collector's office need improvement. The County Collector maintains a general account, a credit card account, an installment account, a protested tax account, and a Tax Maintenance Fund account. The County Collector's office collected property taxes and other revenues of approximately $17 million during the year ended February 28, 2015.

1.1 Liabilities and unidentified monies

The County Collector does not prepare monthly lists of liabilities, and therefore, liabilities are not reconciled to the cash balance for any of the bank accounts maintained. We attempted to prepare lists of liabilities for each account to determine if the proper amounts were being held except for the Tax Maintenance Fund account because that account has no associated liabilities. Our comparison of identified liabilities to the reconciled cash balance for each bank account revealed the following concerns.

- For the general account, the reconciled bank balance as of August 31, 2015, was $180,089, but identified liabilities were $184,721, indicating a shortage of $4,632. Part of this problem appears to be caused by the County Collector not transferring monies timely from the credit card account to the general account (see section 1.2).

- For the protested tax account, the reconciled bank balance as of August 31, 2015, was $344,935, but identified liabilities totaled $342,436, indicating unidentified monies of $2,499 in the account.

- For the credit card account, the reconciled bank balance as of August 31, 2015, was $26,770, but identified liabilities totaled $19,874, indicating unidentified monies of $6,896 in the account.

- For the installment account, the reconciled bank balance as of August 31, 2015, was $107,280, but identified liabilities totaled $100,241, indicating unidentified monies of $7,039 in the account.

Regular identification of liabilities and comparison to the reconciled cash balance is necessary to ensure accounting and bank records agree, and cash is sufficient to meet liabilities. In addition, maintaining unidentified monies in the bank accounts increases the risk of loss, theft, or misuse of such funds. Various statutory provisions address the disposal of unidentified monies.

1.2 Transmitting monies

The County Collector does not timely or consistently transmit monies from the credit card account to the general account. For example, from February 2015 through March 2015, $52,835 was collected in the credit card account, but these collections were not transferred to the general account until May 2015 and the amount transferred was only $52,298. No other transfers occurred after this transfer through August 31, 2015.

To reduce of risk of loss, theft, or misuse of monies received going undetected, procedures should be established to ensure all credit card payments are transferred timely to the general account.

1.3 Outstanding checks

As similarly noted in our prior Cooper County audit report, the County Collector has not established procedures to routinely follow up on outstanding checks. As a result, at August 31, 2015, the County Collector's general bank accounts had 24 checks, totaling $3,297, that have been outstanding for over one year and 13 checks have been outstanding since 2011, with some checks dating back as far as 2005. Some of these checks were written to various political subdivisions. The office has not taken any action to reissue or resolve these outstanding checks.

Proper follow-up procedures are necessary to prevent the accumulation of old outstanding checks and ensure monies are appropriately disbursed to the payee or as otherwise allowed by state law.

Recommendations

The County Collector:

1.1 Reconcile the available cash balance to a monthly listing of liabilities for all accounts, and promptly investigate and resolve any differences. In addition, attempt to identify unidentified monies. If unidentified monies cannot be identified, dispose of them in accordance with state law.

1.2 Establish procedures to timely transmit monies for credit card collections from the credit card account to the general account.

1.3 Establish procedures to routinely investigate outstanding checks. Old outstanding checks should be voided and reissued to payees that can be readily located. If the payee cannot be located, the amount should be disbursed in accordance with state law.

Auditee's Response

1.1 I agree and will begin doing this by January 1, 2016, after I attempt to identify differences. I will attempt to identify all monies and dispose of any unidentified monies according to state laws.

1.2 I will ensure all credit card collections are transferred at least monthly.

1.3 I have already turned over the 24 checks cited by the auditors to the state and I will establish procedures to routinely investigate checks in the future.

2. Review of Annual Settlements

As similarly noted in our prior Cooper County audit report, neither the County Clerk nor the County Commission adequately reviews the financial activities of the County Collector. The County Clerk does not maintain an adequate account book or other records summarizing property tax charges, transactions, and changes. The spreadsheets maintained by the County Clerk does not include protested taxes or delinquent taxes. In addition, adequate procedures are not performed by the County Clerk or the County Commission to verify the accuracy and completeness of the County Collector's annual settlements. As a result, there is an increased risk of loss, theft, and misuse of property tax monies going undetected.

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 account book or other records that summarize 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.

Recommendation

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

Auditee's Response

The County Clerk and County Commission will work together to develop an accurate account book and develop adequate procedures to review annual settlements.

Cooper 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).

Carol Nauman served as County Collector until June 14, 2015. Diana Thomas was appointed the Cooper County Collector and sworn into office on August 11, 2015.

The County Collector received compensation of $21,414 for the period March 1, 2015, to June 14, 2015. During the year ended February 28, 2015, the County Collector received compensation of $72,536. Compensation was in accordance with statutory provisions.