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Missouri State Auditor

**Cape Girardeau County Collector
and Property Tax System**

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CITIZENS SUMMARY

Findings in the audit of the Cape Girardeau County Collector and Property Tax System

Property Tax System

The county has not adequately restricted the County Collector's access to the property tax system. The County Commission does not review or approve most property tax additions and abatements, and annual settlements were not complete and accurate. Refunds of overpayments related to errors in property tax records are not always properly recorded in the property tax system.

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.

Cape Girardeau County Collector and Property Tax System

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Missouri State Auditor

County Commission
and
County Collector
Cape Girardeau County, Missouri

We have audited the County Collector and Property Tax System of Cape Girardeau County. Section 52.150, RSMo, requires the State Auditor to audit the office of the County Collector after being notified of a vacancy in that office. On November 30, 2018, a vacancy occurred in the office of the County Collector of Cape Girardeau County. A successor was appointed and sworn into office effective December 1, 2018. The scope of our audit included, but was not necessarily limited to, the period of March 1, 2018, to November 30, 2018, and the year ended February 28, 2018. The objectives of our audit were to:

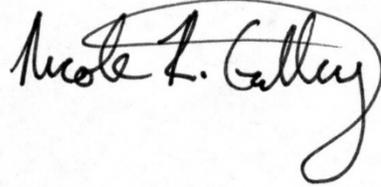
1. Evaluate the county's internal controls over significant property tax functions.
2. Evaluate the county's compliance with certain legal provisions.

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 applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

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

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

Section 52.150, RSMo, requires the County Commission to accept the State Auditor's report and, if necessary, to take certain specific actions if the State Auditor finds any monies owed to the county or the former County Collector. For the areas audited, we identified (1) deficiencies in internal controls, and (2) noncompliance with legal provisions. The accompanying Management Advisory Report presents our findings arising from our audit of the County Collector and Property Tax System of Cape Girardeau County.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	Josh Allen, CPA, CFE, CGAP
In-Charge Auditor:	David T. Olson
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Cape Girardeau County Collector and Property Tax System Management Advisory Report State Auditor's Findings

1. Property Tax System

Controls and procedures over the property tax system need improvement. The County Collector's office processed property taxes and other revenues of approximately \$72.4 million for the year ended February 28, 2018.

1.1 System access

The county has not adequately restricted the County Collector's access to the property tax system. The County Collector has access rights that allow changes to be made to individual property tax amounts throughout the tax year. The County Collector rarely changes tax amounts but since the County Collector is responsible for collecting tax payments, good internal controls require the County Collector not have access rights allowing alteration of property tax information.

To prevent unauthorized changes to the property tax records, access should be limited based on user needs. Unrestricted access can result in the alteration of data files and programs.

1.2 Additions and abatements

The County Commission does not review or approve most property tax additions and abatements, and annual settlements were not complete and accurate.

The County Assessor and County Collector process additions and abatements and print a court order for review by the County Clerk and a copy of the court order is also provided to the County Auditor. The County Commission reviews and approves outlawed taxes, but the County Commission does not review or approve additions or other abatements. In addition, during the year ended February 28, 2018, additions and abatements (excluding outlawed taxes) were combined instead of being shown separately on the annual settlement.

To help ensure the validity of tax book charges, collections, and credits, and for the County Clerk and County Commission to properly verify these amounts, it is important the County Collector file complete and accurate annual settlements. Sections 137.260 and 137.270, RSMo, assign responsibility to the County Clerk for making corrections to the tax books with the approval of the County Commission. Documented reviews and approvals of additions and abatements would help ensure changes made to the property tax system are proper.

1.3 Overpayments

Refunds of overpayments related to errors in property tax records are not always properly recorded in the property tax system. If an error in a property tax record resulting in an overpayment is identified after the related tax has been paid, the County Assessor adjusts the assessed valuation of the property in the subsequent tax year so that the tax liability is reduced to offset the amount of the overpayment, and enters a note into the tax system to verify the accuracy of the assessed valuation in the following year. However, a refund check should be issued by the County Collector for tax overpayments instead



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

of the County Assessor changing assessed valuations to lower a future payment.

Section 53.030, RSMo, requires the County Assessor to take an oath to assess property at what the official believes to be the actual cash value, and no provision of law permits the County Assessor to change the assessment based on overpayment of tax. Making adjustments to assessed valuations to satisfy overpayments increases the risk of improper assessments in future years and loss of tax revenues.

Recommendations

- 1.1 The County Commission ensure property tax system access is limited to only the areas needed by each user to perform his/her job duties and responsibilities.
- 1.2 The County Commission review and approve all property tax additions and abatements. In addition, the County Collector prepare complete and accurate annual settlements.
- 1.3 The County Assessor discontinue the practice of changing assessed valuations for subsequent billings when overpayments occur.

Auditee's Response

- 1.1 *The County Commission has limited the property tax system access and implemented policy controls to ensure no one person can both assess and collect taxes.*
- 1.2 *While the County Commission approved all abatements and additions annually, the County Collector's office, as of March 14, 2019, is submitting monthly additions and abatements to the County Commission for approval versus reporting the net change as was being done. The County Collector's annual settlement for the year ended February 28, 2019, has been corrected categorizing additions and abatements separately versus reporting the net change. The County Clerk with approval of the County Commission will make any corrections to the tax books.*
- 1.3 *The County Assessor's office discontinued issuing Assessed Value Credits to offset overpayments caused by reporting errors. When errors occur, the County Assessor or Chief Deputy Assessor will verify funds availability with the County Collector or the Chief Deputy Collector for the relevant tax year. When available, a refund will be initiated by the County Assessor's office and executed by the County Collector's office.*

Cape Girardeau 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).

Diane Diebold served as County Collector until November 30, 2018. Barbara Gholson was appointed the Cape Girardeau County Collector and sworn into office on December 1, 2018.

The former County Collector received compensation of \$63,078 for the period March 1, 2018, to November 30, 2018. During the year ended February 28, 2018, the former County Collector received compensation of \$78,096. Compensation was in accordance with statutory provisions.