



Nicole R. Galloway, CPA  
Missouri State Auditor

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## FOLLOW-UP REPORT ON AUDIT FINDINGS

### Lewis County Collector and Property Tax System



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June 2015

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# Lewis County Collector and Property Tax System

## Follow-Up Report on Audit Findings

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**NICOLE R. GALLOWAY, CPA**  
**Missouri State Auditor**

To the County Commission  
and  
County Collector  
Lewis County, Missouri

We have conducted follow-up work on audit report findings contained in Report No. 2014-104, *Lewis County Collector and Property Tax System* (rated as Poor), issued in November 2014, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the county about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
  - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
  - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
  - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
  - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the county, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed documentation provided by county officials and the computer software vendor and held discussions with the officials to verify the status of implementation for the recommendations. Documentation provided by the county included bank statements and reconciliations, county collector annual settlements, receipt and disbursement records, and various other financial records. This report is a summary of the results of this follow-up work, which was substantially completed during April and May 2015.

Nicole R. Galloway, CPA  
State Auditor

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# Lewis County Collector and Property Tax System

## Follow-Up Report on Audit Findings

### Status of Findings

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| 1. County Collector Controls and Procedures   | Despite similar concerns noted in our 3 prior audit reports, significant weaknesses continued to exist throughout the former County Collector's time in office.   |
| 1.1 Receipt dates and payment number sequence | The County Collector's office did not always use the actual date of receipt when recording payments and did not account for the numerical sequence of receipt numbers (payment numbers) assigned by the computerized property tax system. |

The computerized property tax system sequentially assigned a payment number for all monies received through the County Collector's office. However, the system allowed users to backdate payments received in the system, resulting in payment numbers being out of order. In addition, payment numbers could be deleted from the system after a receipt had been printed without an audit trail. These control weaknesses allowed for possible manipulation of receipt data.

### Recommendation

The County Collector work with the computer software vendor to establish controls to account for the numerical sequence of payment numbers assigned by the computerized property tax system, maintain an audit trail of changes made in the property tax system, and prevent the editing of payment transaction information after a receipt slip has been printed.

### Status

#### **Implemented**

The County Collector worked with the computer software vendor to update the tax software to maintain an audit trail of changes made to property tax records as well as an audit trail of any payment numbers or deposit numbers edited or deleted from the property tax system. In addition, the County Collector has implemented a process to account for the numerical sequence of all payment numbers assigned by the property tax system. We contacted the computer software vendor to verify the changes made to the property tax system and observed the audit trail in the computer system for certain transactions.

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| 1.2 Receipting, depositing, and disbursing | The County Collector did not have adequate procedures for receipting and depositing monies and did not reconcile receipts to deposits and disbursements, resulting in differences going undetected and uncorrected. |
|--|---|

The County Collector did not deposit receipts intact. The County Collector and the Deputy County Collector could each have separate work sessions open at the same time and could select which payments to include in deposits, so they could hold postdated checks for taxpayers when necessary.

Receipts were reported on the tax register based on the receipt date entered into the property tax system rather than the actual date of receipt and the monthly tax register was used to prepare the monthly disbursement



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settlement. Payments backdated to a prior month or postdated to a subsequent month would not be included in the current month's tax register or distributed.

## Recommendation

The County Collector ensure daily tax registers are printed and reconciled to daily collections and deposits. In addition, deposits should be made intact.

## Status

### Implemented

The County Collector has implemented new procedures for depositing collections. All checks received are deposited by the County Collector at the end of each day. Separate daily deposits are prepared at the end of each day for cash collections by drawer. After deposits have been prepared, the County Collector prints a deposit report by date posted that documents all payments included in the deposits that day. In addition, a tax register is generated by date paid and reconciled to the deposit report and the amounts deposited. If any differences are noted between these reports, an explanation is filed with the daily deposit report and report reconciliations. We reviewed daily deposit reports for March 2015 and April 1 through April 15, 2015, and noted any differences between the tax register and the daily deposit report were appropriately explained.

## 1.3 Bank reconciliations

We noted the following concerns during our review of the former and current County Collector's bank reconciliations.

- The former County Collector had not prepared bank reconciliations or prepared lists of liabilities since January 2008. The current County Collector opened a new bank account on November 1, 2013, and since that date the old account was not used for routine activity. The balance in the former County Collector's bank account on February 28, 2014, was \$54,604; however, without a corresponding list of liabilities the County Collector did not know what the account balance should have been or how the monies should have been distributed.

We reviewed the former County Collector's records and identified liabilities of \$37,847 and excess distributions of \$16,132 at February 28, 2014, resulting in a \$32,889 unexplained difference between the bank balance and total liabilities.

- The current County Collector did not reconcile the new bank account timely. As of August 2014, the current County Collector had not performed bank reconciliations or identified liabilities for 5 months.

## Recommendation

The County Collector reconcile bank balances to a list of liabilities monthly, and ensure any differences are investigated and promptly resolved. In addition, the County Collector should attempt to identify and distribute



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funds held in the dormant bank account, disburse any remaining unidentified balance in accordance with state law, and close the account.

Status

**In Progress**

As of May 20, 2015, the County Collector has completed bank reconciliations through October 31, 2014, and generated a list of liabilities monthly to materially support the bank reconciliations. We reviewed the October 31, 2014, bank reconciliation and noted a \$29.76 unreconciled difference between bank and book balances. This unreconciled difference had remained the same since the May 2014 reconciliation and the County Collector indicated she is still trying to resolve this difference. The County Collector has also attempted to prepare bank reconciliations for November and December 2014; however, she is still working to resolve large differences for these months.

The County Collector has not identified or distributed any funds held in the dormant bank account; however, the County Collector indicated an intern from a local college will be working in her office this summer and she plans to have the intern assist her with identifying funds held in the dormant account, so these monies can be distributed and the account closed.

1.4 Non-sufficient funds checks

The County Collector did not have adequate procedures in place to ensure non-sufficient funds (NSF) checks were collected, adjustments were made to the distribution of tax collections, and NSF checks were reversed in the property tax system to reflect amounts still owed by taxpayers.

Recommendation

The County Collector ensure a policy is established for the collection of NSF checks and accounting records accurately document the status of accounts involving bad checks.

Status

**Implemented**

The County Collector indicated her office has implemented procedures for the collection of NSF checks. According to the County Collector, the taxpayer will be given 10 days to resolve NSF checks. If the taxpayer has not resolved the NSF check within this time frame, the payment will be reversed in the accounting records and the NSF check will be forwarded to the Prosecuting Attorney for collection.

1.5 Segregation of duties

The County Collector had not segregated accounting duties. All employees received and recorded monies in the property tax system and were responsible for preparing deposits for receipts they collected. The former County Collector did not review employee deposits or compare receipt records to deposits to ensure all monies receipted were deposited. The



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current County Collector stated she performed undocumented reviews of some deposits prepared by office staff.

**Recommendation**

The County Collector segregate accounting duties to the extent possible or ensure a supervisory review of accounting records is performed and documented.

**Status**

**Implemented**

The County Collector is reviewing and initialing all deposits prepared by office staff. She is also reconciling daily tax registers to daily deposit reports to ensure all monies received have been deposited. We reviewed daily deposits along with daily tax registers and deposit reports for March 2015 and noted these procedures were being performed.

**2. Property Tax System  
Controls and Procedures**

We identified significant weaknesses in controls and procedures over the county's property tax system.

**2.1 Annual settlements**

The former County Collector did not prepare annual settlements for the year ended February 28, 2013, and the year ended February 29, 2012. Additionally, as of August 1, 2014, the current County Collector had not finalized the annual settlement for the year ended February 28, 2014.

**Recommendation**

The County Collector should prepare and file timely annual settlements.

**Status**

**Implemented**

The annual settlement for the year ended February 28, 2014, was approved by the County Commission on September 2, 2014. The County Collector finalized her annual settlement for the year ended February 28, 2015, and filed a copy with County Clerk's office on April 16, 2015. The County Commission approved the annual settlement on Monday, April 27, 2015, and the County Collector mailed a copy of the approved annual settlement to the Department of Revenue on April 27, 2015.

**2.2 Additions and  
abatements**

Controls over property tax additions and abatements were not adequate. There was no independent comparison of property assessment changes made by the County Assessor to the related changes in the property tax system made by the County Clerk. In addition, the County Collector had the ability to enter additions and abatements into the computer system.

The County Assessor's office recorded changes to property assessments on manual forms. These forms were forwarded to the County Clerk's office, where additions and abatements were entered into the property tax system and sequentially numbered orders of assessment changes were prepared for County Commission approval. However, the County Clerk did not generate a monthly report of additions and abatements that could be reconciled to



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individual court orders approved by the County Commission. Errors made by the County Clerk when entering some property tax additions and abatements into the system were not detected timely, contributing to the delay by the current County Collector in preparing the annual settlement for the year ended February 28, 2014.

## Recommendation

The County Commission should ensure all tax book additions and abatements are properly recorded, approved, and charged to the County Collector. The County Commission should also ensure property tax system access rights are limited to only what is needed for users to perform their job duties and responsibilities.

## Status

### **In Progress**

The new County Clerk is in the process of implementing procedures for the reconciliation of assessment changes initiated by the County Assessor through court orders to monthly reports of additions and abatements generated from the property tax system. We reviewed the report of additions and abatements obtained from the property tax system for March 2015 and compared it to a spreadsheet of additions and abatements maintained by the County Clerk for March 2015 and determined total tax assessments agreed on both records. We also compared court orders 05-15 through 20-15 to the spreadsheet and property tax system reports and determined that individual court orders agreed to amounts entered into the property tax system and the spreadsheet.

Beginning with April 2015 court orders, the County Clerk will present individual court orders, her monthly spreadsheet of additions and abatements, and the monthly report of additions and abatements from the property tax system to the County Commission for review and approval at the end of the month. In addition, the County Clerk and County Collector both indicated they will begin reconciling their records at the end of each month.

Upon finalization of the annual settlement in April 2015, the County Collector's access rights to change valuations were removed.