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Missouri State Auditor

County Collector Cole County



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Office of
Missouri State Auditor
Susan Montee, CPA

February 2008

Our office conducted an audit of the County Collector of Cole County, Missouri.

State law requires the Missouri State Auditor to audit the office of the County Collector after being notified of a vacancy in that office. William (Skip) Rich served as County Collector until his resignation on October 2, 2007. Larry Vincent was appointed County Collector and sworn into office on October 3, 2007. The County Collector bills and collects property taxes for the county and most local governments.

The County Collector does not prepare monthly listings of liabilities, and as a result, liabilities are not reconciled to the cash balance in the regular tax account. Since there was no reconciliation prepared as of September 30, 2007 (the date of the former County Collector's final settlement), the Collector's office prepared a listing of liabilities at November 30, 2007. The reconciled bank account balance at November 30, 2007, was \$5,808,864, and the Collector's office identified liabilities totaling \$5,805,921, resulting in \$2,943 which could not be identified to specific liabilities.

Controls over property tax additions and abatements should be improved. No one independent of the tax collection process reconciles the monthly reports of additions and abatements to court orders.

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YELLOW SHEET

COUNTY COLLECTOR
COLE COUNTY

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the County Commission
and
County Collector
Cole County, Missouri

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. The County Collector of Cole County resigned effective October 2, 2007. A successor was appointed and sworn into office effective October 3, 2007.

To satisfy our statutory obligation, we have audited the operations of the County Collector of Cole County. The scope of our audit included, but was not necessarily limited to, the period March 1 to October 2, 2007, and the years ended February 28, 2007 and 2006. Cole County was audited by Williams Keepers, LLC, for the years ended December 31, 2006 and 2005. The objectives of our audit were to:

1. Determine the financial condition of the accounts of the office of the County Collector.
2. Determine the proper compensation that should have been paid to the prior County Collector during the audit period and the compensation actually paid during such period.
3. Determine if the County Collector has adequate internal controls over significant financial functions.
4. Determine if the County Collector has complied with certain legal provisions.
5. File a report of our findings with the County Commission and the individual appointed to fill the vacancy in the office of the County Collector.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office of the County Collector, as well as other county officials and 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. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We 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. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

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 History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the County Collector and Cole County and was not subjected to the procedures applied in the audit of the County Collector.

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 past County Collector. The accompanying Management Advisory Report presents our findings arising from our audit of the County Collector of Cole County.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA
Audit Manager: Mark Ruether, CPA
In-Charge Auditor: Lori Bryant

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

COUNTY COLLECTOR
COLE COUNTY
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

County Collector's Controls and Procedures

Cash balances were not reconciled to liabilities, and controls over property tax additions and abatements should be improved.

The County Collector is responsible for collecting and distributing property taxes for most political subdivisions within the county. During the years ended February 28, 2007 and 2006, property taxes and other monies totaling approximately \$61.8 million and \$60.3 million, respectively, were collected and distributed. The former County Collector prepared a final settlement for the period March 1, 2007 to September 30, 2007, and collections totaled approximately \$2 million for this time period.

- A. The County Collector does not prepare monthly listings of liabilities, and as a result, liabilities are not reconciled to the cash balance in the regular tax account. Since there was no reconciliation prepared as of September 30, 2007 (the date of the former County Collector's final settlement), the Collector's office prepared a listing of liabilities at November 30, 2007. The reconciled bank account balance at November 30, 2007, was \$5,808,864, and the Collector's office identified liabilities totaling \$5,805,921, resulting in \$2,943 which could not be identified to specific liabilities. The majority of the liabilities represent November tax collections which were distributed in December, but also included amounts for partial payments held until full payment is received and other items such as returned checks and overpayments to be refunded.

Monthly reconciliations of the cash balance to liabilities and accounting records are necessary to ensure the cash balances are sufficient to cover liabilities. Without the preparation of such reconciliations, there is less assurance that receipts and disbursements have been properly handled and recorded.

- B. Controls over property tax additions and abatements should be improved. The County Assessor's office makes changes to the property tax system for personal property. A daily audit trail report is generated by the Assessor's office and given to one of the county commissioners to approve. A copy of the signed daily audit trail is given to the County Collector's office. For changes to real estate, the County Clerk's office prepares a court order for each change based upon information from the Assessor's office, which is approved by the County Commission. A copy is given to the Collector's office and the Chief Deputy Collector enters the changes into the property tax system. Monthly reports of total additions and abatements are generated by the Collector's office. The County Auditor receives a copy of the court orders from the County Clerk's office

and the monthly reports of total additions and abatements generated by the Collector's office. No one independent of the tax collection process reconciles the monthly reports of additions and abatements to the daily audit trail reports and court orders. As a result, additions and abatements, which constitute changes to the amount of taxes the County Collector is charged with collecting, are not properly monitored, and errors or irregularities could go undetected.

Sections 137.260 and 137.270, RSMo, assigns responsibility to the County Clerk for making changes to the tax books with the approval of the County Commission. If this is not feasible given the county's property tax system setup and procedures, the County Auditor could periodically reconcile approved additions and abatements to actual changes made to the system. Such procedures are essential to ensure that only appropriate correcting adjustments are made to the master property tax records.

WE RECOMMEND the County Collector:

- A. Prepare monthly listings of liabilities, reconcile this listing to the bank balance, investigate any unidentified differences, and make the appropriate adjustments to correct any differences noted.
- B. Work with the County Commission, County Clerk, and County Auditor to develop procedures to ensure any changes to the property tax system are properly approved and monitored by someone independent of the tax collection duties.

AUDITEE'S RESPONSE

- A. *We are currently working on reconciling the existing differences and will distribute any funds remaining other than those needed to maintain a working balance in this account.*
- B. *The Collector's office will provide the Auditor's office with an audit trail and spreadsheet each month for the changes that are made. In addition the Auditor's office receives copies of all court orders for changes to the real estate property taxes. The county's current outside audit firm also tests these procedures on an annual basis.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

COUNTY COLLECTOR
COLE COUNTY
HISTORY, 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).

William (Skip) Rich served as County Collector until October 2, 2007. Larry Vincent was appointed the Cole County Collector and sworn into office on October 3, 2007.

The County Collector received compensation of \$32,060 for the period March 1 to October 2, 2007. During the years ended February 28, 2007 and 2006, the County Collector received compensation of \$54,244 annually. Compensation was in accordance with statutory provisions.

The following schedule reflects amounts from the records of the County Collector on the modified accrual basis. The schedule does not include any of the operating costs of the County Collector's office. Operating costs are paid from the General Revenue Fund of the county and the Collector's Tax Maintenance Fund.

Appendix

COLE COUNTY
COUNTY COLLECTOR
SCHEDULE OF REVENUES AND EXPENDITURES

	Period March 1 to October 2, 2007	Year Ended February 28, 2007	Year Ended February 28, 2006
REVENUES			
Property taxes	\$ 3,238,355	64,277,229	62,634,231
Interest	152	477	0
Other	426,788	674,530	563,124
Less Provision for Uncollectible Accounts	<u>(1,657,183)</u>	<u>(3,133,023)</u>	<u>(2,865,984)</u>
Total Revenues	<u>2,008,112</u>	<u>61,819,213</u>	<u>60,331,371</u>
EXPENDITURES			
State of Missouri	10,498	362,957	353,514
General Revenue Fund	118,227	4,091,433	3,986,642
Special Road and Bridge Fund	94,514	3,280,543	3,196,489
Assessment Fund	13,424	462,164	454,938
Cole County Special Services	30,337	1,050,631	1,021,957
School districts	1,267,357	43,713,032	42,574,805
Library district	65,089	2,218,186	2,154,156
Fire protection districts	42,950	1,244,774	1,200,336
Levee district	0	24,153	24,153
Tax increment financing districts	0	3,452	3,467
Neighborhood improvement districts	0	84,909	85,069
Cities	125,862	4,222,358	4,278,890
Other	30,798	16,945	15,109
County Clerk	6,471	14,129	13,302
County Employees' Retirement Fund	109,602	242,654	215,053
Tax Maintenance Fund	35,887	67,826	55,737
Commissions and fees:			
General Revenue Fund	<u>57,096</u>	<u>719,067</u>	<u>697,754</u>
Total Expenditures	<u>2,008,112</u>	<u>61,819,213</u>	<u>60,331,371</u>
REVENUES OVER (UNDER) EXPENDITURES \$	<u>0</u>	<u>0</u>	<u>0</u>