

The seal of the Missouri State Auditor is circular and features a central figure holding a scale and a sword. The text around the seal reads "SEAL OF THE STATE AUDITOR" at the top, "JUSTICE WE STAND DIVIDED" in the middle, and "1820 MISSOURI 1892" at the bottom.

**Nicole Galloway, CPA**

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**Missouri State Auditor**

**FOLLOW-UP REPORT ON AUDIT FINDINGS**

**City of Forsyth**

Report No. 2021-117

December 2021

[auditor.mo.gov](http://auditor.mo.gov)

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# City of Forsyth

## Follow-Up Report on Audit Findings

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## NICOLE GALLOWAY, CPA Missouri State Auditor

To the Honorable Mayor  
and  
Members of the Board of Aldermen  
City of Forsyth, Missouri

We have conducted follow-up work on certain audit report findings contained in Report No. 2021-012, *City of Forsyth* (rated as Poor), issued in March 2021, 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 for which follow up is considered necessary, and inform the city 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 has no specific plans to implement the recommendation.

As part of the AFTER work conducted, we reviewed documentation provided by the Finance Officer and the City Clerk and held discussions with the Mayor and Board members to verify the status of the recommendations. Documentation provided by city officials included Board meeting minutes, financial records, and other pertinent documents. This report is a summary of the results of this follow-up work, which was substantially completed during October and November 2021.

A handwritten signature in black ink that reads "Nicole R. Galloway".

Nicole R. Galloway, CPA  
State Auditor

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# City of Forsyth

## Follow-Up Report on Audit Findings

### Status of Findings

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1. **Missing Money**                      Between May 2019 and November 2019, the former Utility Clerk did not deposit \$2,000 of recorded utility deposits, and city officials reported a theft of \$1,403 cash from the city's vault to the Taney County Sheriff's office on October 15, 2019.

**Recommendation**                      The Board of Aldermen continue to work with law enforcement officials on criminal prosecution regarding the undeposited utility deposits and stolen money; and take the necessary actions to obtain restitution.

**Status**    **In Progress**

The Taney County Sheriff's office completed its investigation and referred the case to the Taney County Prosecuting Attorney's office. According to the Prosecuting Attorney's office, as of November 1, 2021, that referral is currently open and actively under review. The Board of Aldermen indicated it will continue to work with law enforcement officials regarding criminal prosecution and will take the necessary actions to obtain restitution.

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2. **Untimely and Questionable Utility Deposits**                      Numerous utility deposits were not deposited until long after activation of utility services. During the period November 2, 2018, through October 16, 2019, 64 utility deposits totaling \$6,400 were deposited between 20 and more than 121 days after activation of utility services and the timing of the deposits appears questionable. Of these untimely and questionable utility deposits \$5,600 were paid in cash.

In addition, on the morning of November 27, 2019, the Finance Officer and City Clerk discovered that two utility deposits paid with cash totaling \$200, that should had been on hand, were missing from the utility deposit receipt book and former Utility Clerk's desk drawer.

The untimely deposit of utility deposits and the 2 missing utility deposits identified on November 27, 2019, were questionable and gave the appearance that these receipts may have been taken from the city and subsequently returned and deposited by the former Utility Clerk.

**Recommendation**                      The Board of Aldermen should continue to work with law enforcement officials on criminal prosecution regarding the untimely and questionable utility deposits.

**Status**    **In Progress**

The Taney County Sheriff's office completed its investigation and referred the case to the Taney County Prosecuting Attorney's office. According to the Prosecuting Attorney's office, as of November 1, 2021, that referral is currently open and actively under review. The Board of Aldermen indicated



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it will continue to work with law enforcement officials regarding criminal prosecution and will take the necessary actions to obtain restitution.

3. Accounting Controls and Procedures

Accounting controls and procedures needed improvement.

3.1 Oversight and segregation of duties

The Board did not establish adequate segregation of duties or supervisory reviews over the various financial accounting functions performed by the Utility Clerk (former), City Clerk, and Finance Officer. The Utility Clerk (former), City Clerk, and Finance Officer each receipted, recorded, and prepared deposits for money collected. The former Utility Clerk also made deposits.

Recommendation

The Board of Aldermen segregate accounting duties to the extent possible and implement appropriate reviews and monitoring procedures.

Status

**In Progress**

Currently, the Utility Clerk and City Clerk receipt and record monies collected and prepare the related deposit. The City Clerk typically takes the deposit to the bank. The Finance Officer reconciles manual receipt slips issued to the electronic accounting systems and to deposits.

The Finance Officer also prepares a monthly report for the Board that includes various details related to the finances of the city. However, the Board does not document its review of this report. The Board indicated it will review the monthly report, and the Mayor will sign a copy in the future.

3.2 Receipting, recording, transmitting, depositing, reconciling, and refunding

The city's procedures for receipting, transmitting, recording, depositing, refunding, and reconciling money collected were poor. City officials did not issue manual receipt slips for all money recorded in the computerized accounting system; did not account for the numerical sequence of all manual receipt slips issued; did not record some deposits into the receipting module of the accounting system and instead recorded them using journal entries; did not timely record some transactions in the computerized accounting system; transmitted various types of city receipts collected to each other without documenting the transmittal; did not reconcile manual receipt slips to daily receipt reports and deposits; held utility deposits until the customer's utility service was activated; did not deposit some payments timely; and did not refund utility deposits by check. In addition, the city did not have procedures to reconcile business licenses issued and fees collected to amounts deposited and did not maintain adequate records for campground rental fees.

Recommendation

The Board of Aldermen ensure all receipts are deposited timely and intact, receipt slips and licenses issued are reconciled to the computerized systems and deposits, all refunds are made by check, prenumbered receipt slips are



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issued for all payments received, all payments received are timely recorded in the computerized systems, the numerical sequence of receipt slips is accounted for, transmittals of money between employees are documented, and adequate records of campground fees are maintained.

## Status

### **In Progress**

We reviewed all city receipts received and deposited for September 2021. We noted all receipts were deposited timely and intact, and receipt slips and licenses issued were reconciled to the computerized systems and deposits. The Finance Officer indicated all refunds are issued by check unless the customer is at city hall. In those instances, the customer will be given back their payment in the same manner it was received, the Utility Clerk and City Clerk will then note on the receipt slip that the money was returned, and the customer will sign the receipt indicating the money was returned. During the month reviewed, city officials issued prenumbered receipt slips for all receipts, timely recorded all payments received in the computerized system, and accounted for the numerical sequence of receipts at the time of deposit. The Finance Officer indicated the transmittal of receipts between employees has been nearly eliminated. If receipts are transmitted, the clerk receiving the money will initial and date the manual receipt slip to document the transmittal.

Campground fees are collected by camp ground attendants and delivered to city hall twice a week, and the amount received is reconciled to receipt slips issued to campers and to deposits. The Finance Officer indicated the city is still considering better ways to track campers to allow a comparison to campground collections.

### 3.3 Physical controls

Physical controls over receipts and city keys needed improvement. City officials maintained utility deposits in a receipt book stored in the former Utility Clerk's unlocked desk drawer until deposited and payments received for dog licenses, park services, and other miscellaneous fees in envelopes in the City Clerk's unlocked desk drawer. As a result, various city employees had access to the money on hand.

In addition, the City Clerk maintained a master key to city hall in an unlocked desk drawer, and as a result, various city employees had access to the master key. City officials also failed to change the locks at city hall or for the vault after the key was reported missing.

## Recommendation

The Board of Aldermen maintain money collected and keys in a secure location and change the locks at applicable city properties when keys are lost.



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**Status**

**Implemented**

In October 2019, the Board re-keyed city hall including the vault. All spare keys and the key to the vault are kept in a locked file cabinet drawer and only the City Clerk, Utility Clerk, and Finance Officer have access to the drawer. In addition, all money is either deposited daily or kept overnight in the vault.

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**4. Utility System Controls and Procedures**

Utility system controls and procedures needed improvement.

**4.1 Utility reconciliations**

City personnel did not prepare proper reconciliations related to utility services. The former Utility Clerk did not perform monthly reconciliations of amounts billed, payments received, and amounts unpaid for utility services. In addition, the Public Works Supervisor did not perform monthly reconciliations of total gallons of water billed to gallons of water pumped.

**Recommendation**

The Board of Aldermen ensure monthly reconciliations are performed of amounts billed to amounts collected and delinquent accounts, and of gallons of water billed to gallons pumped, and significant differences are investigated.

**Status**

**In Progress**

The Finance Officer prepares a monthly reconciliation of amounts billed to amounts collected and amounts delinquent and a monthly reconciliation of gallons of water billed to gallons pumped and investigates any significant differences. The Finance Officer provides these reconciliations to the Board for review; however, the Board does not document its review. The Board indicated it will review these reports, and the Mayor will sign the copies in the future.

**4.2 Shut off procedures**

The city was not following its service shut off ordinance. Utility bills are printed and mailed on the last business day of the month with payment due by the 20th of the following month. The Board established an ordinance to shut off water service to any customer whose bill had not been paid by the last day of the month following services rendered. However, the city did not notify customers of a service shut off until after they were delinquent for 2 billing cycles.

**Recommendation**

The Board of Aldermen ensure utility accounts are shut off in accordance with the established city ordinance or modify the ordinance to current practices.



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**Status**

**Implemented**

During our review of the bills printed and mailed on the last day of the month of August, we noted four customers whose bill for August had not been paid by the 20th of September. Delinquent notices were mailed to these 4 customers on September 23, 2021. One customer paid before the city shut off water service, two customers paid the amount owed and the reconnect fee, and one customer's water service was shut off in accordance with city ordinance.

**4.3 Partial payments**

The city did not have an ordinance regarding partial payments by customers who had delinquent accounts, and customers were allowed to make partial payments without entering into a written payment agreement and without Board approval. If an account was delinquent and scheduled for shut off, the city allowed payment of the past due portion or half of the total amount due to prevent the shut off.

**Recommendation**

The Board of Aldermen discontinue allowing collection of partial payments or establish an ordinance outlining the procedures allowing customers to make partial payments. Ensure the procedures include preparation of a written payment agreement with each customer making partial payments.

**Status**

**Implemented**

The Board discontinued allowing collection of partial payments, and for the 4 delinquent accounts we reviewed during September 2021, no partial payments were made.

**4.4 Accounts receivable procedures**

The city did not have adequate procedures to pursue collection of accounts receivable. City officials did not pursue collection of accounts more than 90 days past due. In addition, the Board did not adequately monitor accounts receivable and determine which accounts were uncollectible. The city also had not written off bad debts since 2013, and did not have written policies for either the collection or write off of old accounts.

**Recommendation**

The Board of Aldermen periodically review detailed accounts receivable records and take action to collect on delinquent accounts. The Board should establish written policies and procedures for the collection and writing off of accounts receivable, ensuring the factors considered for each decision are retained and each written off balance is approved and verified by a person independent of the transactions.

**Status**

**In Progress**

The Board receives a monthly report of the total of delinquent utility accounts prepared by the Finance Officer; however, the Board does not receive the





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detailed report of delinquent utility accounts from the utility system and does not document its review of the summary report provided. The Board indicated it will review the summary report, and the Finance Officer indicated she will provide the detailed report for the Board's review and the Mayor will sign the file copies. The City Clerk reviews the delinquent report and sends applicable accounts to a collection agency. On April 19, 2021, the Board established written policies and procedures for the collection and writing off of accounts receivable. For the fiscal year ending August 31, 2021, the Finance Officer prepared a report of amounts to be written off and documented the factors considered for the decision. The City Administrator reviewed the report and the city wrote off \$30,096 in delinquent accounts.

**5. Electronic Data Security** Controls over the city computers were not sufficient. As a result, city records were not adequately protected and were susceptible to unauthorized access or loss of data.

**5.1 User identification and passwords** The city had not established adequate user identification and password controls to reduce the risk of unauthorized access to the city computers and data. The City Clerk, current Utility Clerk, and Finance Officer shared computers in the office and did not log off and log back on with their unique user identification and password when using the accounting and utility systems at another employee's computer. The City Clerk, former Utility Clerk, and Finance Officer also shared computers during the former Utility Clerk's employment. As a result, there was no assurance that the user listed in the system for posting a transaction was the person who did it. In addition, these officials were not required to change passwords periodically.

**Recommendation** The Board of Aldermen require employees use their unique user identification and password when using the accounting and utility systems, and they change those passwords periodically, to help prevent unauthorized access to the city computers and data.

**Status** **Implemented**  
On September 20, 2021, the Board approved the data security policy that requires employees to use their unique user identification and password when using the accounting and utility systems. In addition, employees are required to change passwords at least quarterly. The accounting and utility systems automatically prompt the user to change their password every 3 months and the city's information technology contractor manages and oversees the password changes for the other systems.

**5.2 Security controls** Effective security controls were not in place to lock computers after a certain period of inactivity.



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**Recommendation**

The Board of Aldermen require each computer to have an effective security control in place to lock it after a certain period of inactivity.

**Status**

**Implemented**

On September 20, 2021, the Board approved the data security policy that requires all computers to be set to lock automatically after 10 minutes of inactivity. The Finance Officer indicated this security control has been added to the City Clerk, Utility Clerk, and Finance Officer's computers.

**5.3 Data backup**

The city did not store data backup files at an off-site location.

**Recommendation**

The Board of Aldermen ensure backup files are stored at a secure, off-site location.

**Status**

**Implemented**

The city is now storing backup data in a secure off-site location. The electronic accounting system and software are backed up to "the Cloud" (i.e., electronically off-site) daily. External hard drives are rotated approximately every 3 months and are stored off-site when not in use.