

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

Missouri State Auditor

FOLLOW-UP REPORT ON AUDIT FINDINGS

City of Cross Timbers

Report No. 2022-124

December 2022

auditor.mo.gov

City of Cross Timbers

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 Cross Timbers, Missouri

We have conducted follow-up work on certain audit report findings contained in Report No. 2022-020, *City of Cross Timbers* (rated as Poor), issued in March 2022, 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 current City Clerk and held discussions with the Mayor to verify the status of implementation for the recommendations. Documentation provided by the city 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 2022. While working with the city in conducting the follow-up work, we identified deleted utility transactions and various concerns related to the handling of customer utility payments. Additional work related to these transactions and concerns is planned and will be addressed in a subsequent letter to the Mayor and the Board of Aldermen.

Nicole R. Galloway, CPA
State Auditor

City of Cross Timbers

Follow-Up Report on Audit Findings

Status of Findings

1. **Misappropriated Money and Utility Services** From October 1, 2017, through July 31, 2020, money and utility services totaling at least \$44,452 was misappropriated from the city by the City Clerk.¹ City receipts totaling \$21,474 were not deposited by the City Clerk. Overpayments totaling \$6,132 and questionable payments totaling \$13,525 were also paid to the City Clerk. Supporting documentation was not maintained for \$569 of reimbursements made to the City Clerk. Improperly recorded utility payments totaling \$1,973 and improper adjustments totaling \$234 were applied to the utility account of the City Clerk, and \$545 of utility services were not properly billed to the City Clerk.

In addition, the Board did not adequately monitor its activities for conflicts of interest. From January 2015 through September 2019, we estimated \$4,036 of utility services were not properly billed to former Alderman Baker. Also, improperly recorded utility payments totaling \$430 and improper net adjustments of \$814 were applied to former Alderman Baker's utility account.

Recommendation

The Board of Aldermen continue to work with law enforcement officials regarding criminal prosecution of the overpayments, questionable payments, improper payments, improperly recorded utility payments and adjustments, utility services improperly not billed, and undeposited city receipts; and take the necessary actions to obtain restitution. The Board should also closely examine city transactions to identify conflicts of interest.

Status

Partially Implemented

The City Clerk was charged with Class C felony stealing on July 26, 2022, and the case is ongoing as of November 2022. City officials indicated the city has not taken any action to obtain restitution from former Alderman Baker because he sold his property, moved out of town, and did not leave a forwarding address. Thus, the city cannot place a lien upon the property to collect utilities owed and cannot send him a bill. Therefore, the city has written off his delinquent utility account balance. All disbursement transactions are reviewed at each Board meeting before checks are signed for conflicts of interest. Procedures have been established by the Board to address the city's related employees, including an independent review of timesheets and checks for payment. However, those procedures are not always followed as indicated in the status of finding number 4.4. The Board also reviews utility reports at monthly meetings. However, adequate procedures have not been established to review conflicts of interests related to utility accounts.

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2. **Financial Condition** The city was in poor financial condition, and the Board had not adequately monitored that condition.

¹ The City Clerk referenced throughout this report is the former City Clerk.



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Recommendation

The Board of Aldermen perform immediate and long-term planning, and closely monitor and take necessary steps to improve the city's financial condition.

Status

Partially Implemented

City records indicated the city had cash balances totaling \$52,335 as of August 1, 2022, in various accounts, which is an improvement over the \$27,221 balance at December 31, 2020.

The city is currently paying all current bills due and has implemented procedures to monitor spending and cash balances each month. The city is making monthly agreed-upon payments on past due balances owed for electric, payroll taxes, pumping equipment and services, and the state audit. However, as of August 2022, the city still owed over \$62,000 to these entities. In addition, the utility system indicated \$6,361 should have been on hand in the Meter Fund Account for customer utility deposits in October 2022. However, the Meter Fund Account balance was only \$1,684, resulting in a shortage of \$4,677, which is a \$69 increase from the shortage noted during the audit. Additionally, as noted in the status of finding number 5.5, the city improperly authorized loans between some city funds in August 2022 to pay a propane bill.

The city did not prepare a budget for the year ending December 31, 2022, and the Mayor indicated the Board had not performed any long-term planning due to the immediate financial concerns. The Mayor also indicated that the financial shape of the city is still poor, but current monthly balances are being paid. The Mayor also indicated as the city continues to improve its financial status, the Board will proceed with preparing a yearly budget and planning statement, and plans to do this within the next 6 months.

3. Oversight, Annual Audits, and City Ordinances

The Board did not establish adequate oversight or obtain annual audits as required by state law. City ordinances also 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 City Clerk.

Recommendation

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

Status

Partially Implemented

The Board meets twice a month to review and monitor city activities. The Board documents its review of a Board packet prepared by the current City



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Clerk, that includes a utility adjustment report, utility water loss report, utility accounts receivable report, utility receipt and deposit report, bank statements, listing of bills and cash balances, invoices with copies of related checks to be paid, timesheets, and a financial report. We reviewed the Board's packet for August 2022 and found documentation of the Board's review. However, concerns related to deleted transactions in the electronic utility system (see status of finding number 6.1) and the handling of city receipts (see status of finding number 5.1) were identified during our follow-up work and additional reviews and monitoring procedures are needed.

3.2 Annual audits

The city had not obtained annual audits of its combined water and sewer system as required by state law and the construction loan/grant agreement.

Recommendation

The Board of Aldermen obtain annual audits of the combined water and sewer system as required by state law and loan/grant agreement.

Status

Not Implemented

The city has not obtained an annual audit of the water and sewer system. City officials indicated as funds become available an annual audit will be obtained. However, no specific plans to obtain an audit have been made.

3.3 City ordinances

City ordinances were not complete and had not been updated since 2013. The city did not have ordinances establishing the compensation of city officials and employees. Ordinances were poorly maintained. Many ordinances were old and not updated, and an index of all ordinances passed and rescinded by the city was not maintained. City Ordinance No. 13-5-1 authorizing the amount billed to water and sewer customers had not been updated since 2013.

Recommendation

The Board of Aldermen establish the compensation of all city officials and employees by ordinance as required by statute, ensure ordinances are maintained in a complete and well-organized manner, establish an index of all ordinances passed and rescinded, and update ordinances for water and sewer rates.

Status

In Progress

An ordinance establishing the compensation of the current City Clerk and Maintenance Technician has been drafted and is planned to be adopted by the Board in December 2022. The city is in the process of hiring an attorney to assist the Board with updating city ordinances and establishing an index. The Board updated the city's ordinance regarding water and sewer rates in September 2021.

4. Payroll and Related Matters

Significant improvement over controls and procedures related to contract workers and payroll was needed.



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4.1 Employment
classifications

The Board did not document the basis for classifying the City Clerk and the former Maintenance Supervisor as independent contractors rather than employees.

Recommendation

The Board of Aldermen determine the proper classification for the City Clerk and Maintenance Supervisor to ensure compliance with state and federal laws and regulations.

Status

Not Implemented

The Board continues to pay the current City Clerk and Maintenance Technician as independent contractors rather than employees, and has not documented the basis for this classification. City officials indicated they plan to review and obtain documentation for the basis of proper classification and will implement a plan for the current City Clerk and Maintenance Technician to be classified as employees, if the city is still unable to verify an independent contractor classification. However, the city has no specific plans for accomplishing this.

4.2 Past due payroll taxes

The Board and City Clerk did not pay past due payroll taxes, interest, and penalties due for 13 quarters, and as a result, the city owed the Internal Revenue Service (IRS) \$15,255 as of September 15, 2021. The city started making monthly payments to the IRS of \$139 in December 2019; however, the monthly payment was not sufficient to reduce the balance of the taxes owed because the penalties and interest increased more than the payments made.

Recommendation

The Board of Aldermen ensure sufficient payments of past due payroll taxes are remitted timely to the appropriate taxing entities to reduce balances due.

Status

In Progress

City records indicated the city has paid the IRS \$200 each month and still owes the IRS approximately \$13,430 at the end of August 2022.

4.3 Pay advances

The City Clerk issued herself pay advances totaling \$7,311 from November 2017 through February 2019 in violation of the Missouri Constitution. Eight checks were issued prior to the end of the month in which services were provided.

Recommendation

The Board of Aldermen discontinue the practice of providing pay advances to workers.

Status

Implemented



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City officials indicated payments are no longer made in advance and payments to workers are reviewed at each Board meeting. Our review of payments made to the current City Clerk and Maintenance Technician in June, July, and August 2022 indicated no payments were made in advance.

4.4 Timesheets

The City Clerk did not prepare timesheets. In addition, calendars maintained documenting hours worked were not retained for 2017 and 2020, and calendars maintained for 2018 and 2019 were not always accurate. In addition, Board members indicated the calendars were not always submitted for review, and when they were submitted, the Board did not document this review. Timesheets or other documentation of work performed was not prepared by the former Maintenance Supervisor to support contracted payments made.

Recommendation

The Board of Aldermen ensure timesheets or other records of work performed are prepared accurately, retained, and properly signed and approved.

Status

Partially Implemented

Our review of the current City Clerk's 6 timesheets prepared during the months of June, July, and August 2022 showed the current City Clerk and the Board signed each of the timesheets. However, our review of the Maintenance Technician's 12 timesheets during the months of June, July, and August 2022 showed the Maintenance Technician did not sign 2 timesheets in July 2022, and the Board did not sign 2 timesheets (1 in July and 1 in August).

4.5 Independent contractors

The city misclassified the City Clerk and former Maintenance Supervisor as independent contractors rather than employees. However, had this classification been appropriate, the Board did not enter into a written contract with the City Clerk and she did not prepare and file 1099 forms for payments made to herself during 2017 and 2018, and prepared an inaccurate 1099 form for 2019 payments.

In addition, the City Clerk did not prepare and file a 1099 form for payments made and the value of free utility services provided to the former Maintenance Supervisor for 2018, and the 1099 form for 2019 was not accurate and did not include the value of free utility services provided.

Recommendation

The Board of Aldermen execute and retain written contracts for services that specify the services to be rendered and the manner and amount of payments to be paid. The Board should also establish procedures to ensure all payments are properly reported and payroll taxes are withheld and remitted to the appropriate taxing entity. The Board and the current City Clerk should prepare or amend the applicable tax forms issued to the City Clerk and former Maintenance Supervisor for compensation provided as appropriate.



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Status

Partially Implemented

The Board obtained a written contract for services provided by the current City Clerk and Maintenance Technician in January 2022. The city classifies workers as contracted employees; therefore, no payroll taxes are withheld and remitted to taxing entities. Forms 1099 were prepared and filed with appropriate taxing entities for 2021. However, they were not accurate. City officials indicated the city plans to prepare and amend the applicable tax forms for the current and former City Clerk and current Maintenance Technician and former Maintenance Supervisor at the start of 2023.

4.6 Cost allocations

The city had no documentation to justify the allocation of the amounts paid the City Clerk and former Maintenance Supervisor to the various city bank accounts.

Recommendation

The Board of Aldermen allocate disbursements to city accounts based on specific criteria and retain documentation to support the allocation.

Status

Not Implemented

Currently, the city allocates 50 percent of the amounts paid to the current City Clerk and Maintenance Technician to the Water Account and the other 50 percent to the Sewer Account. The city has no documentation to justify this allocation, but city officials indicated the City Tax Account did not have sufficient funds to pay the current City Clerk, so the city is not currently allocating costs to that account. City officials indicated they plan to document the justification and allocation of amounts paid in the future and as funds become available in the City Tax Account, they will also allocate costs to that account. However, the city has no specific plans to complete this.

5. Accounting Controls and Procedures and Disbursements

Accounting controls and procedures and disbursements needed improvement.

5.1 Receipting, recording, and depositing

The city's procedures for receipting, recording, and depositing payments received were poor.

- Manual receipt slips were not always issued and property tax statements were not always marked paid or retained.
- The City Clerk did not always accurately and promptly record water/sewer receipts to customer accounts in the utility system, and some utility payments were not posted to the utility system.
- The method of payment (cash, check, or money order) was not always recorded on manual receipt slips or on property tax statements. In



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addition, if the method of payment was not marked in the utility system, the system's default method of payment was by check. We noted numerous instances where a check payment was not included in the related deposits. The City Clerk also marked utility payments as "other" payments in the utility system without indicating the method of payment. In addition, the City Clerk did not reconcile the composition of receipts to the composition of deposits.

- The City Clerk did not issue manual receipt slips in numerical sequence, some receipt slips were skipped and not properly defaced to prevent later use, and electronic transaction numbers were not entered in date order in the utility system.
- The City Clerk did not always deposit receipts intact and occasionally withheld cash receipts from deposits to pay city invoices.

Recommendation

The Board of Aldermen issue prenumbered receipt slips for all payments received, indicate the method of payment on all receipt slips, account for the numerical sequence of receipt slips, reconcile the composition of receipts to the composition of deposits, require receipts be accurately and promptly recorded to the utility system, and deposit all payments received intact. Additionally, discontinue paying city expenses from city receipts and if a petty cash fund is needed to pay city expenses, the Board should authorize the fund and its uses and require the fund be maintained on an imprest basis and all activity be recorded on a petty cash fund ledger.

Status

Partially Implemented

Prenumbered receipt slips are not issued for money received for deposits and the rental of the community building, and were only issued for utility payments when requested. Our review of manual receipt slips and transactions recorded in the electronic utility system from July 2022 to October 2022 showed the method of payment was indicated on all manual receipt slips; checks and money order payments received were recorded as checks in the utility system and cash payments were recorded as other in the utility system. Also, the date money was received was not always recorded on the manual receipt slips and 2 manual receipt slip books were used simultaneously. As a result, receipt slips were not issued in numerical sequence; transactions were not recorded in sequential date order in the electronic utility system; some transactions had been deleted; receipts were not properly reconciled to deposits; receipts were not promptly recorded to the utility system; and some payments received were not deposited or not deposited intact and timely. The current City Clerk generally recorded receipts in the electronic utility system and deposited receipts once a month. City officials indicated they discontinued paying city expenses from city receipts, do not maintain a petty cash fund, and pay all expenses with a check.



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Additional work related to these transactions and concerns is planned and will be addressed in a subsequent letter to the Mayor and the Board of Aldermen.

5.2 Bank reconciliations,
checks, and accounting
records
Recommendation

The City Clerk did not prepare bank reconciliations for any of the city's 7 bank accounts; maintain a checkbook register, or book balances; and always issue checks in numerical order.

The Board of Aldermen ensure monthly bank reconciliations are prepared for all bank accounts; checkbook registers, book balances, and lists of disbursements are maintained; and checks are issued in numerical sequence with the sequence properly accounted for.

Status

Partially Implemented

An electronic accounting system, that acts as a checkbook register, is maintained that shows book balances and all disbursements. Checks were issued in numerical sequence. However, our review of accounting records for August 2022 showed formal monthly bank reconciliations were not prepared for all bank accounts.

5.3 Board review and
approval process

The City Clerk did not prepare a list of bills or monthly financial reports for the Board's review. Board members indicated bank statements and monthly utility reports were sometimes provided to the Board for review, but they did not document this review. Board members also did not always review invoices or require invoices to be marked paid, several payments were made with no supporting documentation, and documentation of the receipt of goods or services on the invoices was not required. The Board also failed to monitor the city's cash balances. As a result, the city incurred overdraft and maintenance charges in various city bank accounts.

Recommendation

The Board of Aldermen ensure an accurate and complete monthly list of bills is prepared and compared to invoices and checks written, and monthly financial reports are prepared and reviewed for accuracy. In addition, the Board should ensure invoices are marked paid and adequately reviewed, and require documentation of receipt of goods and/or services prior to payment of invoices. The Board should also document its review of monthly bank statements and utility reports and properly monitor bank account balances to avoid bank charges.

Status

Partially Implemented

The Board meets twice a month to review and monitor city activities. The Board documents its review of a Board packet prepared by the current City Clerk that includes a utility adjustment report, utility water loss report, utility accounts receivable report, utility receipt and deposit report, bank statements, listing of bills and cash balances, invoices with copies of related checks to be



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paid, timesheets, and a financial report. We reviewed a Board packet for August 2022 and found documentation of the Board's review of all of these reports. No bank charges were noted on the August 2022 bank statements. However, our review of invoices paid in August 2022 showed invoices were not marked paid and documentation of receipt of goods or services was not noted on the invoices.

5.4 Sewer loan requirements
Recommendation

The Board and City Clerk did not ensure required sewer loan payments occurred.

The Board of Aldermen ensure compliance with payment requirements of loan agreements.

Status

Implemented

The city is currently making monthly payments on current amounts owed and made a final payment on past due amounts in June 2022.

5.5 Excessive and unauthorized transfers and commingling of restricted funds
Recommendation

The City Clerk made excessive and unauthorized transfers between various bank accounts. The city also had not established adequate procedures to ensure restricted funds were credited to the appropriate account or used only for intended purposes.

The Board of Aldermen monitor and reduce the number of transfers made between bank accounts, and ensure transfers are not prohibited by state law. The Board should also determine the amount of restricted funds in the city's accounts and establish separate funds or a separate accounting of this money, including the balances.

Status

Partially Implemented

The number of transfers was reduced to 10 transfers during August 2022. However, 2 of the transfers were for a loan from the Gasoline Tax Account to the Community Building Account (\$938) and the City Tax Account (\$938) to pay the city's propane bill. These loans/transfers are prohibited by state law because the Gasoline Tax Account contains state motor vehicle-related receipts that are not allowed to be used for this purpose. The remaining 8 transfers were made to allocate the city's insurance bill to various city funds and to transfer sewer collections deposited into the Water Account to the Sewer Account. However, 1 transfer made to allocate the city's insurance bill was transferred in error. The current City Clerk corrected the erroneous transfer after the audit staff notified her of the error.

5.6 Untimely payments

The City Clerk did not ensure some bills were paid timely. As of June 30, 2020, 3 invoices totaling \$28,888 were outstanding for telephone, electric,



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and pumping equipment and service bills. The city still owed 2 of these 3 vendors more than \$20,000 as of September 15, 2021.

Recommendation

The Board of Aldermen ensure all invoices are paid timely.

Status

In Progress

The city is currently paying all current bills due. The city is making monthly agreed-upon payments on past due balances owed for electric, payroll taxes, pumping equipment and services, and the state audit.

5.7 Record retention

City officials could not provide copies of some meeting minutes, invoices, delinquent notices from the IRS, the City Clerk's calendars of time worked, 1099 forms, and documentation of expense reimbursements.

Recommendation

The Board of Aldermen retain records in accordance with state law.

Status

Implemented

City officials indicated all records are being retained. All records we requested were available for our review.

6. Utility System Controls and Procedures

Utility system controls and procedures needed improvement.

6.1 Adjustments and deleted transactions

Improper adjustments were made to the utility account of the City Clerk and former Alderman Baker. The City Clerk also made adjustments to customer accounts without obtaining independent approval by the Board or documenting the reason for the adjustment.

The City Clerk also had the ability to delete transactions, and the Board did not review and approve deleted transactions in the utility system or periodically obtain a report of deleted transactions from the utility system vendor to review. No explanation or reason was documented for any of the deleted transactions.

Recommendation

The Board of Aldermen evaluate utility system changes to prevent or track deleted transactions, and require an independent and/or supervisory review and approval of all adjustments and deleted transactions made in the utility system.

Status

Partially Implemented

The Board documented its review of adjustments made to the utility system for August 2022, and the reasons for the adjustments were documented. However, some of the adjustments made were unusual. In addition, the Board



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does not review transaction numbers to ensure transactions have not been deleted. Our review of the electronic utility system identified 51 deleted transactions from July 2022 to October 2022.

Additional work related to these transactions and concerns is planned and will be addressed in a subsequent letter to the Mayor and the Board of Aldermen.

6.2 Utility reconciliations

The City Clerk did not perform monthly reconciliations of amounts billed, payments received, and amounts unpaid for utility services. The Maintenance 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 investigate significant differences.

Status

In Progress

Reconciliation reports are prepared by the city's utility system software, and the current City Clerk indicated she is currently working to reconcile the amounts billed, payments received, and amounts unpaid for utility services. However, at the time of our review, the Maintenance Technician was not able to accurately reconcile gallons of water billed to gallons of water pumped because the meter in the well house was broken. City officials indicated the meter has now been repaired and the city will begin reconciling the gallons of water billed to gallons pumped and will ensure any leaks are addressed.

6.3 Utility deposits

The city did not reconcile customer utility deposit balances reported in the utility system to the city's Meter Fund bank account, and the City Clerk transferred amounts from the Meter Fund bank account to other bank accounts to pay city bills.

Recommendation

The Board of Aldermen periodically reconcile customer utility deposits per the utility system to accounting records and cash balances, and promptly investigate any differences.

Status

Not Implemented

The utility system indicated \$6,361 should have been on hand in the Meter Fund bank account for customer utility deposits in October 2022. However, the reconciled cash balance for the Meter Fund bank account was \$1,684, resulting in a shortage of \$4,677. The current City Clerk indicated the utility system did not accurately reflect when utility deposits were applied to utility accounts or refunded. Minimal efforts to investigate and resolve the errors or shortage in the Meter Fund bank account had been made by the city at the time of our review in October 2022.



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Additional work related to these transactions and concerns is planned and will be addressed in a subsequent letter to the Mayor and the Board of Aldermen.

6.4 Delinquent utility accounts

Delinquent utility accounts were not always shut off after 30 days past due as required by ordinance, and the City Clerk allowed some customers to make partial payments on delinquent accounts without Board approval.

Recommendation

The Board of Aldermen ensure utility service is shut off in accordance with city ordinance. In addition, if the Board wants to allow partial payments, the Board should establish a written partial payment policy, review and approve customer payment agreements, and monitor delinquent accounts.

Status

Partially Implemented

Our review of delinquent utility accounts as of October 24, 2022, showed 5 utility account balances were overdue between 60 and 90 days, and 13 utility account balances were overdue 90 days or more, including a utility account of the current City Clerk's relative, who owed \$485 at the time he moved out of the city. Utility service had not been shut off for 14 of these 18 delinquent utility accounts. However, the current City Clerk indicated she monitored these delinquent accounts each month. City officials indicated they planned to revise city ordinances for current practices, establish a written partial payment policy, and review and approve customer payment agreements in the future. However, the city has no specific plans to accomplish this.

Additional work related to these transactions and concerns is planned and will be addressed in a subsequent letter to the Mayor and the Board of Aldermen.

6.5 Water and sewer rates

Current water and sewer rates were not supported by a cost study or other documentation showing how the rates were determined.

Recommendation

The Board of Aldermen ensure a statement of costs is prepared to support utility rate increases and document formal reviews of utility rates periodically to ensure revenues are sufficient to cover all costs of providing these services.

Status

In Progress

Board meeting minutes for September 2022 indicated the Board was planning to meet with a company to perform a cost study to support water and sewer rates.

6.6 Sales tax

The Department of Revenue notified the city it had not filed or remitted sales taxes collected related to utility services provided for some months.

Recommendation

The Board of Aldermen ensure sales taxes collected are reported and remitted timely.



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Status	Partially Implemented The current City Clerk reported and remitted sales taxes timely for the last quarter of 2021 and the second quarter of 2022. However, according to city records, the current City Clerk did not timely report and remit sales taxes for the first quarter of 2022 due on April 30, 2022, until May 11, 2022.
7. Budgets and Financial Reporting	Budgeting and financial reporting procedures needed improvement.
7.1 Budgets	The City Clerk did not prepare a budget for the years ended December 31, 2020, 2019, and 2018.
Recommendation	The Board of Aldermen prepare accurate annual budgets that contain all information required by state law, and ensure the budgets are adequately monitored.
Status	In Progress The Board did not prepare a budget for the year ending December 31, 2022. The Mayor indicated as the city continues to improve its financial status, the Board will proceed with preparing a yearly budget and planning statement, and plans to do this within the next 6 months.
7.2 Financial reporting	City officials did not file timely annual financial reports with the State Auditor's Office as required by state law, and the financial statements filed were not accurate.
Recommendation	The Board of Aldermen submit accurate annual financial reports timely to the State Auditor's Office as required by state law.
Status	Partially Implemented City officials timely filed an annual financial report for the year ended December 31, 2021. However, it did not include beginning and ending cash balances, as required.
7.3 Published financial statements	The city had not published financial statements for the years ended December 31, 2020, 2019, and 2018.
Recommendation	The Board of Aldermen ensure publication of the city's semiannual financial statements as required by state law.
Status	Not Implemented



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The Board did not ensure semiannual financial statements were published as required by state law during 2021 or 2022. City officials indicated the city plans to post financial statements on the door of city hall in the future.

8.1 Sunshine Law - Meeting minutes City officials could not locate meeting minutes for monthly Board meetings occurring in March, April, May, and June 2018, and also February and July 2019. In addition, open meeting minutes for the 2 meetings in November 2019 indicated the Board went into closed sessions, but the minutes did not document the specific reasons or section of law allowing the meetings to be closed, and minutes were not maintained for the closed sessions.

Recommendation The Board of Aldermen ensure meeting minutes are prepared and retained for all open and closed meetings, and ensure specific reasons for closing a meeting are documented in the open meeting minutes.

Status **Implemented**
Board meeting minutes for June, July, and August 2022, were prepared and retained for meetings held and no closed sessions were held during these months.

9. Electronic Data Security Controls over the city computer were not sufficient to prevent unauthorized access, and sufficient plans and processes were not in place for recovering systems and data.

9.1 Passwords The city had not established adequate password controls to reduce the risk of unauthorized access to the city's computers and data. The password to access the computer and utility system was not changed periodically, and the password was not required to contain a minimum number of characters.

Recommendation The Board of Aldermen ensure passwords are periodically changed and contain a minimum number of characters to prevent unauthorized access to the city's computer and data.

Status **Not Implemented**
The city's utility software provider indicated passwords had not been periodically changed by the current City Clerk, and passwords were allowed to contain between 4 and 8 characters. In addition, the current City Clerk's passwords were written down in a notebook and not kept confidential. City officials indicated they planned to periodically change passwords and will ensure they contain a minimum number of characters. However, they have no specific plans for implementing these changes.

9.2 Antivirus software The city did not have antivirus software installed on the city's computer to ensure protection of city data.



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Recommendation

The Board of Aldermen ensure the city's computer and systems are adequately protected from computer viruses.

Status

Implemented

The city installed antivirus software in August 2022.

9.3 Data backup

The city did not periodically back up some city data and store the backup data at a secure off-site location.

Recommendation

The Board of Aldermen require data to be backed up regularly, tested periodically, and stored in a secure off-site location.

Status

Implemented

The current City Clerk indicated utility system data is backed up with the utility system software provider approximately once a month and other city data is backed up on 2 flash drives every 6 months. One flash drive is in the possession of the current City Clerk and the other is with the Mayor. The Mayor indicated the Board plans to back up data on the 2 flash drives and test the flash drives monthly in the future.