



SCOTT FITZPATRICK
MISSOURI STATE AUDITOR

February 27, 2023

Honorable Teri Gillette, Mayor
and
Members of the Board of Aldermen
City of Cross Timbers
105 Park Street
Cross Timbers, MO 65634

This letter communicates the results of our review of the handling of utility receipts, billings, adjustments, deposits, and delinquent accounts by the City Clerk. This review was initiated based on work performed as part of the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program when we identified a \$200 missing utility cash receipt during a cash count conducted on October 24, 2022, and had additional concerns related to the handling of customer utility payments. The objectives of our review were to evaluate the city's internal controls over the handling of utility receipts, billings, adjustments, deposits, and delinquent accounts; and determine the extent of missing money from the city during the period August 2022 through October 2022. The *Follow-Up Report on Audit Findings - City of Cross Timbers*, Report No. 2022-124, was issued in December 2022.

Methodology

Our methodology included obtaining an understanding of procedures related to the handling of customer utility payments and deposits; reviewing utility receipt and deposit records, utility system transactions, reports of delinquent utility accounts, and other pertinent documents; interviewing various city personnel, as well as certain external parties; and testing selected transactions.

Background

The City Clerk, Cyndey Bennett, began employment with the city on July 8, 2020, and currently serves as the City Clerk. She is primarily responsible for financial accounting functions and records of the city, including the duties of receiving, recording, and preparing and making deposits. She is also responsible for preparing utility bills, posting payments in the utility system, making adjustments in the utility system, and monitoring delinquent utility accounts.

Results, Conclusions, and Recommendations

1. Receipting, recording, and depositing

The City Clerk's handling of a \$200 cash receipt is questionable, and a \$54 utility cash receipt is missing.

A \$200 cash receipt received on September 18, 2022 (receipt slip number 562662), was missing during an October 24, 2022, cash count conducted by auditors. At the time of the cash count, auditors photocopied the carbon copies of all manual receipt slips issued from September 1, 2022, to October 24, 2022, including the \$200 cash receipt slip. Six weeks after the receipt slip was issued and a week after auditors conducted the cash count, the City Clerk indicated in an October 31, 2022, email to audit staff that she had found the \$200 cash, the top copy of the receipt slip, and a utility payment billing stub under her desk calendar. The City Clerk attached a PDF of the top copy of the manual receipt slip (receipt slip number 562662) and a utility payment billing stub to the email message to support her comments. However, the date of the manual receipt slip emailed to auditors had been altered from September 18, 2022, to October 3, 2022. Copies of these receipt slips are shown below:¹

Receipt slip photocopied by auditors

RECEIPT No. 562662
 DATE 9-18-22
 FROM [REDACTED] \$200.00
 CT WATER & SEWER DOLLARS
 FOR RENT
 FOR ACCT-160
 ACCT. 160 CASH
 PAID 200.00 CHECK
 MONEY ORDER
 CREDIT CARD
 FROM _____ TO _____
 BY C. Bennett A-1152 T-4181

Altered receipt slip emailed to auditors

RECEIPT No. 562662
 DATE ~~9/18/22~~ 10-3-22
 FROM [REDACTED] \$200.00
 CT WATER & SEWER DOLLARS
 FOR RENT
 FOR ACCT-160
 ACCT. 160 CASH
 PAID 200.00 CHECK
 MONEY ORDER
 CREDIT CARD
 FROM _____ TO _____
 BY C. Bennett A-1152 T-4181

The City Clerk indicated in a recorded interview conducted on November 9, 2022, that she could not provide the original top copy receipt slip to auditors that day because she mailed it to the utility customer after she found it under her desk calendar. The City Clerk also could not adequately explain why she altered the date of the receipt slip.

This receipt, per the utility software provider and the utility system, was not posted to the utility system until November 2022, but the transaction was backdated to October 20, 2022, by the City Clerk. The City Clerk indicated she did not find the missing \$200 cash receipt until October 31, 2022, so she backdated the receipt date to avoid the customer being assessed a late fee in the utility system. However, as noted below no late fees were assessed by the City Clerk to any customer utility accounts reviewed from August 2022 through October 2022.

The handling of this \$200 cash receipt is questionable because this receipt was not on hand for our cash count on October 24, 2022, the date written on the receipt slip was altered, and the cash was held and not recorded in the utility system or deposited until November 2022 (almost 2 months after receipt).

¹ The redactions are of information of a personal, privileged, or sensitive nature.

Due to concerns related to the missing \$200 cash receipt, we reviewed utility receipts received and deposited during the period of July 2022 through October 2022, and identified a \$54 cash receipt that was not deposited and is missing. Auditors determined 2 manual receipt slips (receipt number 562652 and 562655) were each issued to a utility customer for \$54 cash (totaling \$108). However, only \$54 was subsequently deposited, and the remaining \$54 was not deposited and is missing. Receipt number 562652 was dated August 15, 2022, and no date was indicated on receipt slip number 562655, as shown below:²

RECEIPT		No. 562652	
DATE	8-15-22		
FROM	[REDACTED]	\$54.00	
CT. WATER & SEWER		DOLLARS	
<input type="radio"/> FOR RENT	ACCT		
<input type="radio"/> FOR			
ACCT.		FROM	TO
PAID	54.00	C. Bennett	
DUE		BY	

RECEIPT		No. 562655	
DATE			
FROM	[REDACTED]	\$54.00	
CT. WATER & SEWER		DOLLARS	
<input type="radio"/> FOR RENT			
<input type="radio"/> FOR			
ACCT.		FROM	TO
PAID	54.00	C. Bennett	
DUE		BY	

According to the utility software programmer, transaction number 42133 for \$0 was posted to the utility system as a beginning balance on August 29, 2022, for this customer. A \$54 cash receipt (transaction number 42262) was posted to the utility system on September 15, 2022, but the other \$54 cash receipt was not posted to the utility system.

The handling of these two \$54 receipts is questionable. One of the \$54 cash payments was held 1 month before being posted to the utility system and held over 2 months before being deposited on October 17, 2022. When questioned about the \$54 missing cash receipt, the City Clerk responded by email that "After starting service there there [sic] was a leak and services not used and I returned the payment he had dropped into the dropbox [sic]." However, no supporting documentation was provided by the City Clerk to support this statement. We attempted to contact the utility customer to discuss these payments, but did not receive a response.

In addition, another manual receipt slip (number 562663) was issued to this utility customer on October 8, 2022, for \$58.87 cash, but the receipt was backdated in the utility system to September 15, 2022, and not deposited until October 17, 2022. We noted numerous other utility receipts (transactions) were backdated during our review of the utility system.

We recommend the Board of Aldermen further investigate the \$54 missing utility payment, determine the reason for the missing money, and take any necessary action. The Board should ensure receipts are posted to the utility system timely and accurately record the date posted. Money received should be deposited timely and intact. In addition, the Board should segregate accounting duties as appropriate, and implement independent reviews and monitoring procedures.

² The redactions are of information of a personal, privileged, or sensitive nature.

2. Adjustments, billings, and deleted transactions

Some utility account adjustments and billings reviewed were unusual. For example, a utility customer's account history showed consistent billing and payment amounts from January to August 2021, but the account was not billed in October 2021 or January, March, April, May, and June 2022. Unusual adjustments were made in some of these months to reduce outstanding balances to \$0, as noted below:

Month and Year	Beginning Balance	Billings	Payments	Adjustments	Ending Balance
January 2021	\$ 28.57	28.57	28.57		28.57
February 2021	28.57	28.57	28.57		28.57
March 2021	28.57	28.57	28.57		28.57
April 2021	28.57	30.00			58.57
May 2021	58.57	28.57	58.57		28.57
June 2021	28.57	28.57	28.57		28.57
July 2021	28.57	28.57	28.57		28.57
August 2021	28.57	28.57	28.57		28.57
September 2021	28.57	30.00			58.57
October 2021	58.57			(58.57)	0.00
November 2021	0.00	28.57			28.57
December 2021	28.57	30.00			58.57
January 2022	58.57			(58.57)	0.00
February 2022	0.00	28.57			28.57
March 2022	28.57			(28.57)	0.00
April 2022	0.00				0.00
May 2022	0.00				0.00
June 2022	0.00				0.00
July 2022	0.00	28.57			28.57
August 2022	28.57	28.57		(28.57)	28.57
September 2022	28.57	28.57	30.00	1.43 ¹	28.57

¹ A negative \$28.57 adjustment was posted on October 10, 2022, and a \$30.00 adjustment was posted on October 11, 2022.

The October 2021 meeting minutes indicated this utility customer's "sewer bill would be exempt until this issue is resolved." For some months this account was not billed and for other months the account was billed and subsequently adjusted. It is unclear why the account was billed in some months and not billed in other months. The Board currently reviews all adjustments; however, they do not review billings to ensure all customers are billed each month. Utility services should be consistently billed and if adjustments are needed, the adjustments should be reviewed and approved by the Board each month.

In addition, the City Clerk and the Board do not review transaction numbers in the utility system to ensure transactions have not been deleted. Our review of the utility system identified 51 deleted transactions from July 2022 through October 2022. The City Clerk and Mayor indicated they were not aware these transactions had been deleted. The utility system does not allow deleted transactions to be recovered, so we could not review these transactions.

We recommend the Board of Aldermen require an adequate independent and/or supervisory review and approval of all adjustments, billings, and deleted transactions made in the utility system, and consider utility system changes to prevent personnel from being able to delete transactions.

3. Delinquent utility accounts

The City Clerk is not shutting off delinquent utility accounts after 30 days past due as required by city ordinance. Our review showed the City Clerk failed to shut off at least 11 customer utility accounts that had recurring delinquent balances during the time period of August 2021 through October 2022. In addition, the City Clerk allowed some of these customers (including herself) to make partial payments on their delinquent accounts, which is not allowed by ordinance. Two of the 11 accounts that were not shut off by the City Clerk were accounts of the City Clerk and her son, creating a conflict of interest.

The City Clerk also stopped billing utility customers late fees from August 2022 through October 2022. The Mayor indicated utility customers were not assessed late fees during this time because the Maintenance Technician was sick and did not read the meters timely; however, meeting minutes were not provided to document the Board's review and approval of this decision.

The City Clerk also failed to pay her monthly utility account balance and did not follow city ordinance that requires delinquent accounts be shut off when the account is more than a month overdue. The City Clerk also made partial payments on her utility account balance without Board approval. The following table shows the City Clerk's utility account history from August 2021 through October 2022:

Month and Year	Beginning Balance	Billings	Payments	Adjustments	Ending Balance
August 2021	\$ 230.68	80.83	154.16		157.35
September 2021	157.35	76.94			234.29
October 2021	234.29	80.71			315.00
November 2021	315.00	78.17			393.17
December 2021	393.17	74.29			467.46
January 2022	467.46	79.14	200.00		346.60
February 2022	346.60	81.48			428.08
March 2022	428.08	80.03			508.11
April 2022	508.11	76.10	308.11		276.10
May 2022	276.10	74.29			350.39
June 2022	350.39	84.94			435.33
July 2022	435.33	84.07	435.33		84.07
August 2022	84.07	86.28			170.35
September 2022	170.35	67.51			237.86
October 2022	237.86	0.00	171.00		66.86

The City Clerk's utility services should have been shut off in 13 of the 15 months reviewed.

According to utility system records, the City Clerk's son opened a utility account on August 23, 2021, and was billed \$485 over the course of nine months without making a payment. The City Clerk did not follow city ordinance that requires delinquent accounts be shut off when the account is more than a month overdue. The City Clerk closed her son's account in May 2022, leaving the city with an unpaid utility bill of \$485 as noted in the table below:

Month and Year	Beginning Balance	Billings	Payments	Adjustments ¹	Ending Balance
August 2021	\$ 0.00	56.07			56.07
September 2021	56.07	58.87			114.94
October 2021	114.94	58.87			173.81
November 2021	173.81	58.87			232.68
December 2021	232.68	58.87			291.55
January 2022	291.55	67.02			358.57
February 2022	358.57	59.28			417.85
March 2022	417.85	61.38			479.23
April 2022	479.23	59.00			538.23
May 2022	538.23	2.80		(56.07)	484.96

¹ Adjustment was made to the utility account to credit the April 2022 billing amount (less penalties).

Utility services for the City Clerk's son should have been shut off in 9 of the 10 months reviewed. The City Clerk indicated she monitored delinquent accounts each month by calling utility customers to discuss payment of their delinquent accounts. However, no documented attempts to collect these balances were made by the City Clerk or the Board.

We attempted to contact all 11 utility customers with recurring delinquent balances. Only 1 customer responded. That customer was a business and indicated it only paid the utility bill when a bill was received and there were several months in which a monthly bill was not received.

We recommend the Board of Aldermen ensure utility service is billed monthly, late fees are properly assessed, and utility services are shut off in accordance with city ordinance. The Board should also pursue collection of delinquent utility accounts, and closely examine city utility transactions to identify conflicts of interest. In addition, if the Board chooses to allow partial payments, it should establish a written partial payment policy, review and approve customer payment agreements, and monitor delinquent accounts.

4. Utility deposits

The city does not reconcile customer utility deposit balances reported in the utility system to the city's Meter Fund bank account. Utility system records indicated customer utility deposits totaled \$6,361 on October 24, 2022, and this amount should have been on hand in the Meter Fund bank account. However, the list of customer utility deposits was not accurate or complete and we identified a shortage of \$5,977 in the Meter Fund bank account.

The city's list of customer utility deposits included \$1,571 in deposits for 22 customers who no longer have active utility accounts and the related utility deposits should have been applied to the delinquent account balances or refunded to the customers. The City Clerk also indicated the utility system did not accurately reflect when utility deposits were applied to delinquent accounts or refunded.

We compared a current list of utility customers to the list of customer utility deposits on hand. There were 13 current customers that did not have a deposit on the list of customer utility deposits (including 2 current Aldermen). We estimated an additional \$1,300 (13 customers at \$100 each) of utility deposits should be on hand as required by city ordinance.

The City Clerk has not made adequate attempts to correct errors related to the utility deposits recorded in the utility system or determine the status of deposits of current utility account holders that have no utility deposit recorded in the utility system. As a result, as of October 24, 2022, \$7,661 (\$6,361 plus \$1,300) should have been on hand for customer utility deposits in the Meter Fund bank account based on the records. However, the reconciled cash balance as of October 24, 2022, was only \$1,684, resulting in a shortage of \$5,977 in the Meter Fund bank account.

We recommend the Board of Aldermen review records of the 22 inactive accounts to determine how those deposits should be handled and determine if the 13 customers with no deposit listed had previously paid a utility deposit. The Board should also reconcile customer utility deposits per the utility system to accounting records and cash balances monthly, and promptly investigate any differences.

A handwritten signature in black ink that reads "Scott Fitzpatrick". The signature is written in a cursive, flowing style.

Scott Fitzpatrick
State Auditor