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Missouri State Auditor

March 12, 2019

Honorable Charles Robert Vunovich, Mayor
and
Members of the Board of Aldermen
City of Amoret
PO Box 105
Amoret, Missouri 64722

This letter communicates the results of our review of the handling of utility receipts by city personnel. 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 missing utility receipts from October 2018 totaling \$170.40 and 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 payments and determine the extent of utility payments missing from the city during the period September 2018 through December 2018. The Follow-Up Report on Audit Findings - City of Amoret, Report No. 2019-017, was issued in March 2019.

Methodology

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

Background

In January 2018, the former City Clerk resigned and an alderman's wife was appointed to serve as City Clerk. In April 2018, this Alderman was elected as Mayor. In September 2018, the former City Treasurer resigned and rather than appointing a new City Treasurer, the Board appointed the City Clerk as City Treasurer and combined these positions, resulting in control problems more serious than those reported in the audit report. The City Clerk/Treasurer is primarily responsible for financial accounting functions and records of the city, including the duties of receiving, recording, preparing and making deposits, receiving and reconciling bank statements to accounting records, and preparing financial reports. The Board is not performing independent reviews of the detailed accounting records or deposits prepared by the City Clerk/Treasurer.

The City Clerk/Treasurer processes payments received through the drop box and mail, and in person at city hall approximately 2 or 3 times a month, but does not issue receipt slips. Instead, she records the date of payment, amount, and method of payment on the monthly utility billing ledger that lists customers alphabetically and prepares the deposits.

Results and Conclusions

Receipting, recording, and depositing procedures are not adequate. The City Clerk/Treasurer does not record receipts on the monthly utility billing ledger in date order and receipts are not reconciled to deposits. Although the City Clerk/Treasurer lists payee names for individual checks and money orders on the deposit slips, there is no indication of which cash receipts are included in the deposit. As a result, it is not possible to demonstrate all monies received were deposited. On December 6, 2018, after our inquiry about the October 2018 missing receipts totaling \$170.40, the City Clerk/Treasurer said she found the \$100.00 cash and \$70.40 money order in a separate money bag in city hall and would get it deposited. On December 21, 2018, the City Clerk/Treasurer provided us with a deposit slip copy dated December 10, 2018, listing October cash of \$170.40 and November cash of \$449.35, for a total cash deposit of \$619.75. This copy included a handwritten note stating the \$70.40 was cash recorded as a money order on the utility billing ledger by mistake (see Appendix A). On January 2, 2019, after multiple requests for the bank receipt to confirm deposit of the \$619.75, the City Clerk/Treasurer provided us a copy of a bank receipt dated December 31, 2018, for \$1,172.59, and indicated the \$619.75 cash was included in this deposit. However, we obtained bank deposit records for this deposit and confirmed it did not include the October and November cash totaling \$619.75. Rather, it was comprised of \$200.00 cash, \$882.43 of checks, and a \$90.16 money order, and these items agree to utility monies collected between December 16 and December 31, 2018, per the utility billing ledger. Our review of bank records confirms the deposit slip dated December 10, 2018, for cash totaling \$619.75 was not deposited in the bank account during December 2018, and matched none of the December 2018 bank deposit records.

Our review of city receipt and bank deposit records from September through December 2018 identified recorded receipts totaling \$634.60 (\$487.80 cash plus \$146.80 money orders) were not deposited. The money orders not deposited were recorded as payments for the City Clerk/Treasurer's personal utility account. It is unclear if these money orders ever existed or rather were just recorded on the ledger to show the City Clerk/Treasurer's account balance as paid. See Appendix B for details regarding undeposited receipts.

In addition to undeposited monies, we also identified 2 checks and 1 money order totaling \$717.16 that were deposited but not recorded as receipts on the monthly utility billing ledgers.

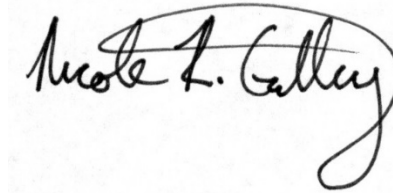
The lack of segregation of duties, inadequate controls, and the absence of proper oversight by the Board of Aldermen resulted in the missing monies and unrecorded receipts going undetected.

In addition, the Water Meter Reader responsible for preparing utility bills has access to the drop box and collects cash payments from some customers at their homes. Monies collected by the Water Meter Reader are either placed in the drop box or turned over to the City Clerk/Treasurer to record and deposit. Because the Water Meter Reader is responsible for preparing the utility billings, she should not have access to the drop box or collect monies from customers. Preparing billings and also collecting monies represents a significant control weakness.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Also, Attorney General's Opinion No. 24-1955 (June 10, 1995) to Dodds, concluded that in a fourth-class city, the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these offices, by the same person at the same time would be incompatible. To reduce the risk of loss, theft, or misuse of funds, internal controls should provide reasonable assurance all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by issuing prenumbered receipt slips for all monies received, reconciling the composition of receipts to the composition of deposits, segregating duties, and implementing documented supervisory or independent reviews of detailed accounting records and deposits.

Recommendations

The Board of Aldermen should further investigate the missing utility payments and take necessary action to recover this money as appropriate. The Board should ensure prenumbered receipt slips are issued for all monies received and the composition of deposits is reconciled to the composition of receipt slips. In addition, the Board should segregate accounting duties as appropriate, and implement independent reviews and monitoring procedures.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

Appendix A

Deposit Slip Prepared But Not Deposited as of December 31, 2018

DEPOSIT TICKET

Community First Bank
APPLETON CITY, MO - BUTLER, MO

Account Number _____

NAME Cheryl Rogers

DATE 12-10-18

DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL

	DOLLARS	CENTS
1 CURRENCY	619	—
2 COINS		75
3		
4		
5 OCT CASH	170	40
6		
7 NOV CASH	449	35
8		
9		
10 Total	619	75
11		
12		
13		
14		
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31		

TOTAL FROM OTHER SIDE OR ATTACHED LIST

PLEASE RE-ENTER TOTAL HERE 619 75

This Deposit is accepted subject to Verification and to the Rules and Regulations of this Bank.

7040 was
Cash I wrote
mo by mistake.
Closed to always
send a mfo
Tchatha

Appendix B
City of Amoret
Supporting Documentation - Undeposited Utility Receipts

Date Receipt Recorded	Recorded Cash Received	Recorded Money Orders Received (1)	Amount Deposited	Amount Received But Not Deposited	Total by Month Not Deposited
10/15/2018	\$ 0.00	70.40	0.00	70.40	
10/21/2018	100.00	0.00	0.00	100.00	170.40
11/15/2018	30.00	0.00	0.00	30.00	
11/15/2018	103.00	0.00	0.00	103.00	
11/15/2018	67.50	0.00	0.00	67.50	
11/15/2018	53.00	0.00	0.00	53.00	
11/15/2018	29.45	0.00	0.00	29.45	
11/15/2018	90.00	0.00	0.00	90.00	
11/15/2018	0.00	76.40	0.00	76.40	449.35
December 2018 (2)	556.75	0.00	541.90	14.85	14.85
	\$ 1,029.70	146.80	541.90	634.60	634.60

(1) Payment on City Clerk/Treasurer's utility account

(2) Cash receipt activity was summarized for December 2018 because the deposit slips did not list payee names for the cash receipts included in the deposits.