NOTICE
GLENPOOL UTILITY SERVICE AUTHORITY
SPECIAL MEETING

A Special Session of the Glenpool Utility Service Authority will be held at 6:00 p.m. immediately following the Glenpool City Council Meeting on October 21,2024, at Glenpool City Hall, City Council Chambers, 12205 S. Yukon Ave., 3rd Floor, Glenpool, Oklahoma.

NOTE: The Glenpool Utility Service Authority will be assembled for the special meeting at the City Council Chambers, 12205 S. Yukon Ave, Glenpool, Oklahoma. Members of the public are invited to attend the in-person meeting, or join a live broadcast at this link:
Join Zoom Meeting
https://us02web.zoom.us/j/89753555435?pwd=QzdFVjA1b0lKa1lSUFlKbUNrUUxtdz09
Meeting ID: 897 5355 5435
Passcode: 974088
One tap mobile
+13462487799, US (Houston)
+14086380968, US (San Jose)
Dial by your location
+1 253 215 8782 US (Tacoma)
+1 346 248 7799 US (Houston)
Meeting ID: 897 5355 5435
Passcode: 974088
Find your local number: https://us02web.zoom.us/u/kdrY6w7ABX

The GUSA Board welcomes comments from citizens of Glenpool who wish to address any item on the agenda.

- Speakers attending in **PERSON** are required to complete the Request to Speak form located on the agenda table and return to the City Clerk **PRIOR TO THE CALL TO ORDER.**
- Speakers attending via **ZOOM** are required to complete the Request to Speak form located on our website: https://glenpoolonline.civicweb.net/document/19057/Request%20to%20Speak%20Form.pdf and email it to the City Clerk: lasmith@cityofglenpool.com **PRIOR TO 6:00 PM, OCTOBER 21, 2024.**

AGENDA

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A) **Call to Order - Joyce G. Calvert, Chair**

B) **Roll Call, Declaration of Quorum – Lesli Smith, Secretary; Joyce G. Calvert, Chair**

C) **Public Comments**

D) **Scheduled Business**

1) Discussion and possible action to approve or deny the final Independant Accountant's Report on Applying Agreed-Upon Procedures for FY 2023-2024 as required by the Creek-2 Rural Water District Settlement Agreement. (Joe Wuest, Chief Operations Officer) 3 - 9

Staff Report - Creek II Audit.docx

Glenpool - Creek-2 AUP Report 2024.pdf FINAL

E) **Adjournment**

This notice and agenda was posted at Glenpool City Hall, 12205 S. Yukon Ave., Glenpool, Oklahoma, on October 17, 2024, at 5:30 pm.

Signed:Lesli Smith
City Clerk

City Of Glenpool
Creating Opportunity

To: Honorable Mayor/Chairman and City Council/Trustees

From: Joe Wuest, Chief Operations Officer

Date: October 21, 2024

Re: Annual Compliance Audit as required by the Settlement Agreement with Creek 2 Rural Water District

Background
As part of the Settlement Agreement between the City of Glenpool, the Glenpool Utility Services Authority and Creek County Rural Water District #2 in May of 2015, the parties agreed to annually retain an independent auditor to conduct a performance audit by examining the records and accounts of the parties and determine whether the parties have met their respective reporting and payment obligations during the fiscal year. Section 10 (a) and (b) of the Agreement requires the Independent Accountant's Audit Report be completed within 90 days following the close of each fiscal year. The Audit Report for FY 2023-2024 was dated and issued to the parties September 9, 2024 (final report was sent via email 10/13/2024).

This year, the auditor has noted two findings:

1. One property (16571 S. Broadway St) was identified as a new customer and the associated application indicated it was located in the "Permissive" area. The application was from Feb. 2022 and was associated with a building permit that had expired and been renewed in 2022. No meter fee or royalty fee was ever paid to Creek II for property and our review confirmed that the property is actually located in the "Released" area, so no royalty or meter fee should have been paid. Creek II did not have this application in their files. Glenpool provided documentation that the original permit listed a location in the "Permissive" area, but the address was updated to one in the "Released" area. No documentation was provided that indicated the correction was ever provided to Creek II.
    a. Suggestions: When an application is identified as "Permissive" Glenpool should establish a system to confirm Creek II has received the application. This could be performed by simply having Creek II provide a confirmation email that it has been received and they have reviewed the location and agree it is in the "Permissive area."

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2. One customer had water service beginning during the audit period, however the sewer service was not being billed by Creek II and remitted to Glenpool. Upon identification of the error, Creek II billed the customer for 4 months of sewer charges on 8/1/24 and will remit the amounts due to Glenpool.
    a. Recommendation: Creek II should maintain a list of water customers showing sewer service at the time of application and periodically review the list to assure that sewer charges are billed timely and remitted to Glenpool. Glenpool should continue to maintain a list of new shared sewer locations and periodically share this list with Creek II and request an update on the status.

If the Audit Report discloses any non-compliance by the parties, the aggrieved party is allowed 90 days following the date of issuance of the Audit in which to put the non-compliant party on notice of a potential default. Any such notice, to be effective, must be communicated by no later than 90 days following issuance of the Audit Report.

The Settlement Agreement also requires that, upon expiration of the 90-day notice period without notice of default, the fiscal year under audit is deemed compliant and the parties are required to sign a written agreement establishing the parties' accounts are reconciled and all real or potential claims are forever waived. Glenpool, GUSA and Creek-2 will each be requested to enter such reconciliation agreement following expiration of the 90-day deadline provided there is no notice of default by either party. Staff will be monitoring the non-payment of sewer that was issued in the findings to verify that Creek-2 makes the payment as required under the Agreement and the audit. In the event they do not make the payment, we will provide written notice as required under the Agreement.

<u>Recommendation</u>
Staff recommends that City Council and GUSA formally receive and approve the final Independent Accountant's Report on Applying Agreed-Upon Procedures for FY 2024-2025.

<u>Attached</u>
Independent Accountant’s Report on Applying Agreed-Upon Procedures

Elfrink and Associates, PLLC
Certified Public Accountants

City of Glenpool
Glenpool Utility Service Authority
12205 So. Yukon Ave
Glenpool, OK 74033

Creek County Rural Water District No. 2
2425 West 121st Street South
Jenks, OK 74037

Independent Accountant's Report on Applying Agreed-Upon Procedures

We have performed the procedures enumerated below, which were requested by and agreed to by the specified users of the report as identified above, as required by that certain Agreement of Compromise, Settlement and Release (the "Agreement") entered into between the users, effective May 15, 2015 (the "Effective Date"). Management of the City of Glenpool ("City"), Glenpool Utility Service Authority ("Authority") (collectively, "Glenpool") and the Creek County Rural Water District No. 2 ("Creek-2") are responsible for their entities' financial accountability and its compliance with applicable legal and contractual requirements. The audit period covered by this report is July 1, 2023 through June 30, 2024 ("Audit Period"). This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants ("AICPA") and *Generally Accepted Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We have performed the procedures enumerated below, which were agreed to by Glenpool and Creek-2 to assist you in evaluating and monitoring the Agreement.

The procedures that we performed, and our results are as follows:

With respect to Glenpool's Records

1. We will update our understanding of the policies, procedures, and methodologies used by Glenpool to create, maintain, bill, and terminate water utility customers, particularly those existing within the Permissive Area, as that term is defined in the Agreement. Such understanding shall be documented by us in writing.

All Glenpool Building Permit applications are sent to the Glenpool Community Development Department, to ensure compliance with the Agreement. This Agreement defines the "Glenpool Territory" as comprised of the "Permissive Area" and the "Released Area" for water service. The City Planner maintains the Glenpool Territory map referenced in the Agreement marking the boundaries of the Released Area and the Permissive Area. The Released Area includes the city limits and land annexed into the City as of March 2, 2012 and will not change during the term of the Agreement. The "Permissive Area" is defined as all parts of Glenpool Territory within the colloquial "Fenceline" that were unincorporated as of March 2, 2012 (even if annexed in later) and as to which Glenpool is obligated by the Agreement to pay meter connection fees and monthly royalties. Six areas were annexed into the City in prior audit periods as designated by City Ordinances 695, 701,719, 790, 804, and 805.

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Government Accounting and Auditing

The Planner reviews all building permit applications that will include new meter connections for water or sewer service. For properties in the city limits, but also in the Permissive Area (that is, annexed after March 2, 2012), applicants for water service are given the choice to receive service from Glenpool or from Creek-2. Those customers choosing service from Creek-2 are referred directly to Creek-2 to establish water service.

If a property requesting water service in the Released Area has never had Glenpool water service and is or becomes an active or inactive Creek-2 water customer at any time before or after the Effective Date, it is defined as a "Reserved Creek-2 Water Customer". (All Reserved Creek-2 Water Customers as of the Effective Date were to be identified on the baseline customer count, as defined in the Agreement.) In that case, the Planner refers the customer to Creek-2. If water service is anticipated for a development on property that is classified as a Reserved Creek-2 Water Customer such that Glenpool fire suppression service will be required, Glenpool and Creek-2 have arranged for a mechanism to bifurcate the water requirements, however Creek-2 is now installing waterlines sufficient to provide fire suppression services for most locations. If the property is within the Released Area and is requesting water service and does not have an active or an inactive Creek-2 water meter, the Planner approves the water service request and notes that the service address is in the Released area. The Community Development Administrative Assistant sends the 'Notice Concerning Applications for Water Service in Glenpool Territory" ("notice") to Creek-2 and to the City's utility billing office to establish an account.

If Glenpool management decides to provide additional water service in the Permissive Area, this notice is also sent to Creek-2 and the City's utility billing office. Such water service requires the payment to Creek-2 of a one-time connection fee and a monthly royalty provided by the Agreement. The connection fee and monthly royalty payments are calculated by the City's utility billing department. Customers in the permissive area are identified by the "class" of "SP2" on the INCODE billing system and the "service code" of "305 – CCRD2 Royalty".

The Third Amendment to the Agreement of Compromise, Settlement and Release was executed by Glenpool and Creek-2 on December 12, 2018. This amendment requires that Glenpool track construction meter connections and terminations of the connections in the permissive area, such that five or more such iterations in a fiscal year will trigger the requirement to remit a meter connection fee to Creek-2. Glenpool has established a new procedure that went into effect in the 2019-2020 audit period to track construction meters in the permissive area. After successful application for a construction meter, the contractor will meet a Glenpool public works foreman at the fire hydrant location who then verifies with the public works supervisor as to the classification of the location as either Permissive or Released. The utility department then creates a service order using a "job code" that will show the location designation of the construction meter. Once a construction meter is flagged in the permissive area, it will be tracked sufficiently to determine if 5 iterations as described above have occurred in a fiscal period at which time a meter connection fee will be remitted to Creek-2. We requested a report of the construction meter service orders during the Audit Period and reviewed for potential permissive activity, noting only one meter in the permissive area.

There were no new meters identified in the Permissive Area in the current audit period. Glenpool sent the required monthly reports for each month in the current Audit Period, remitting the monthly royalty fees for all meters.

We obtained a customer history file for all active Glenpool utility customers and compared the service addresses to the service addresses in the original baseline customer count file and the building permit files provided in the current and prior years.

Findings: We noted 2 notices sent by Glenpool during the year that were not found in the Creek records at the time of fieldwork. Evidence that the applications were sent was subsequently obtained from Glenpool.

Suggestions: Creek-2 management should assure that desk procedures are followed, and a complete file of all notices received from Glenpool are made available to the auditors at the time of fieldwork.

Findings: One property (16571 S. Broadway St) was identified as a new customer and the associated application indicated it was located in the "Permissive" area. The application was from Feb. 2022 and was associated with a building permit that had expired and been renewed in 2022. No meter fee or royalty was ever paid to Creek II for the property and our review confirmed that the property is actually located in the "Released" area, so no royalty or meter fee should have been paid. Creek II did not have this application in their files (see previous finding). Glenpool provided documentation that the original permit listed a location in the "Permissive" area, but the address was updated to one in the "Released" area. No documentation was provided that indicated the correction was ever provided to Creek II.

Suggestions: When an application is identified as "Permissive" Glenpool should establish a system to confirm Creek II has received the application. This could be performed by simply having Creek II provide a confirmation email that it has been received and they have reviewed the location and agree it is in the "Permissive" area.

2. We will obtain building permit records for all new construction within the Permissive Area during the Audit Period and compare such records to records maintained within Glenpool's utility billing system pertaining to the installation of new water meters at the physical addresses on the building permits to ensure that information regarding new meter installations reported to Creek-2 is timely and accurate.

We obtained a listing of building permits issued by Glenpool during the Audit Period and determined that there were 45 new properties. We compared these permits to the "Notice Concerning Applications" reports that were received by Creek-2.

Finding: We noted that out of 87 permits issued, 2 of the applications were not in the records provided to us by Creek-2. Glenpool provided documentation that the applications were sent to Creek II in a timely manner.

Suggestions: Creek-2 management should assure that desk procedures are followed, and a complete file of all notices received from Glenpool are made available to the auditors at the time of fieldwork.

3. We will examine Glenpool's records (including, but not limited to raw computer billing data, customer reports, software billing programs) to determine whether amounts paid to Creek-2 for Royalty Fees due on Active Water Connections in the Permissive Area during the Audit Period are correct. We will reconcile any differences noted and determine the correct amount due to Creek-2 during the Audit Period.

Finding: We noted no exceptions. Receipt of the fees was confirmed by a review of Creek-2's records.

4. We will obtain documentation of the CPI-U adjustments made to Meter Connection Fees and Royalty Fees paid by Glenpool to Creek-2 during the Audit Period and determine whether such adjustments were accurate and made in a timely manner.

The Agreement requires that the CPI-U adjustment shall be the percentage change of the year-end CPI-U from December 31 of the immediate past calendar year and the year-end CPI-U from December 31 of the second immediate past calendar year, as published by the Bureau of Labor Statistics annually. The CPI-U for December 2022 was 296.797. The CPI-U for December 2023 was 306.746 which is 9.949 index point change. This index point change is then divided by the earlier index of 296.797 for an adjustment of 3.35%, which is less than the maximum annual adjustment allowed.

After the CPI-U adjustment, the meter connection fee increased by $32.15 to $992.00 for connection less than 1" in diameter and by $48.23 to $1,487.99 for connections greater than or equal to 1" in diameter. The monthly royalty fee increased by $0.32 to $9.81 which was the rate paid by Glenpool from the February billing cycle forward.

Finding: The CPI-U adjustment was calculated and applied properly in the current year.

<u>With Respect to Creek-2's Records</u>

1. We will update our understanding of the policies, procedures, and methodologies used by Creek-2 to create, maintain, bill, and terminate Shared Utility Customers. Such understanding shall be documented by the Auditor in writing.

Shared Utility Customers receive water service from Creek-2 and wastewater sewer service from Glenpool. Because there is no separate mechanism for measuring wastewater usage without metering potable water, Glenpool has provided Creek-2 with its rate structure for calculating sewer service based on water usage. This is billed to the Shared Utility Customers by Creek-2 and remitted to the City on a monthly basis, whether or not billing is paid to Creek-2. During the Audit Period, Creek-2 billed 115 shared utility customers and remitted payment to Glenpool.

We reviewed the billing and collection records for all 115 active Shared Utility Customers. All Shared Utility Customers were billed a base charge of $14.00 which includes the first 1,000 gallons, and an additional $2.75 for each additional 1,000 gallons of water usage. The rates were confirmed by the City of Glenpool and were unchanged from the prior audit period. The Shared Utility Customers are noted in the Creek-2 utility billing system as “Secondary Status G” and service type “SwrGP”. Creek-2 reports total water consumption for each sewer tap and remits the total billed for all sewer charges to Glenpool by the 20th of the month, whether or not such billing has been collected by Creek-2.

Findings: We noted no exceptions.

2. We will obtain and compare records maintained by Glenpool pertaining to wastewater taps made or maintained at addresses served by Creek-2's domestic water and compare such records to Creek-2's billing records for Shared Utility Customers.

Glenpool provided a list of 83 customers with sewer connections established during the audit period. Of these, 30 were listed on the Creek-2 shared customer report. The remainder were either Glenpool water customers or had no sewer service yet.

Findings: We noted one customer had water service beginning during the audit period, however the sewer service was not being billed by Creek II and remitted to Glenpool. Upon identification of the error, Creek II billed the customer for 4 months of sewer charges on 8/1/24 and will remit the amounts due to Glenpool.

Recommendation: Creek II should maintain a list of water customers showing sewer service at the time application and periodically review the list to assure that sewer charges are billed timely and remitted to Glenpool. Glenpool should continue to maintain a list of new shared sewer locations and periodically share this list with Creek II and request an update on the status.

3. We will examine Creek-2's records (including but not limited to raw computer billing data, customer reports, software billing programs) regarding water consumption by Shared Utility Customers and calculate the amounts due Glenpool for wastewater collection services for those customers. The Auditor shall compare the calculation above to the actual amounts paid to Glenpool for the Audit Period and reconcile any differences noted.

We reviewed the billing and collection records for all 115 active Shared Utility Customers. The rates billed were consistent with the rate schedule provided by Glenpool. Creek-2 remits the total billed for all sewer charges to Glenpool by the 20th of each month. Glenpool confirmed receipt of all the payments.

Finding: We noted no exceptions.

Procedures Applicable to Creek-2 and Glenpool

1. We will apply the following agreed-upon procedures, as specified in the Agreement provided that we may implement the Audit Sampling standards set forth in AU Section 350, Audit Sampling, implementing Statements on Auditing Standards No. 39, 43, 45 and 111, promulgated by the Auditing Standards Board of the American Institute of Certified Public Accountants, as such AU 350 may be amended or superseded.

Finding: Sampling Standards as set forth in AICPA AU Section 350, Audit Sampling were followed as indicated in the descriptions of procedures performed above.

2. We will perform any other procedures we deem reasonable and necessary to ensure that the purpose and intent of the Agreement has been met by both Creek-2 and Glenpool.

We obtained a customer listing from the City of Glenpool's Utility Billing Department and cross-checked the service addresses with a listing that included the addresses of the Glenpool Baseline Customer Count and the relevant building permit lists obtained in the audit procedures for the period ended June 30 2016, and years ended June 30, 2017-2024. This list has been updated to include any previously omitted addresses.

Finding: Based on the agreed-upon procedures performed, we find that the purpose and intent of the Agreement has been substantially met by both Creek-2 and Glenpool for the Audit Period.

3. The above agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants ("AICPA") and the Government Accountability Office ("GAO").

Finding: The procedures described above were conducted in accordance with attestation standards established by the AICPA and GAO.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying review of transactions. Accordingly, we do not express such an opinion. Had we performed additional procedures; other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users, as identified above, and is not intended to be and should not be used by anyone other than these specified parties

Elfrink and Associates, PLLC

Elfrink and Associates, PLLC
September 9, 2024