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CITIZENS SUMMARY

Findings in the audit of the City of Chula

Oversight and Accounting Controls and Procedures

The Board of Aldermen has not established adequate oversight over various financial accounting functions, such as (1) receipting and depositing money, (2) reviewing and approving bank reconciliations, (3) following up on outstanding checks, (4) reviewing and approving financial reports, and (5) reviewing and approving annual budgets timely. The Board overlooked the existence of a city bank account, and related certificate of deposit, that was established prior to April 2014 for the city's community center operations. As a result, activity and operations within this account occurred without oversight from the board. The city did not file annual financial reports with the State Auditor's Office as required by state law for each of the 7 years ended June 30, 2024. As a result, information regarding the city's financial activity and condition is not available to citizens, and a daily fine is actively accruing on the city. According to the Department of Revenue (DOR), the city's total fine is \$1,159,000 through June 30, 2025. Because the city does not impose a sales or use tax, the DOR has not recouped any money from the city, but indicated if the city imposes such a tax in the future, the DOR would begin recouping the fine from any tax distributions the DOR would make to the city. The city has not obtained annual audits of its combined waterworks and sewerage system as required by state law. The city does not publish or post semiannual financial statements as required by state law.

Sunshine Law

The Board did not always comply with Sunshine Law requirements for closed meetings. During the fiscal year ended June 30, 2024, the board held 2 closed meetings. Minutes for both closed meetings did not include sufficient detail to ensure topics discussed were allowable, and included little or no description of the topics discussed. The board did not always document the reasons to enter closed meetings in open meeting minutes as required. In addition, the cited reasons were not always relevant, based on the limited detail available in the closed minutes, and topics discussed in closed meetings were not always allowable under the Sunshine Law. Additionally, the board has not adopted a written policy regarding public access to city records as required by state law. A written policy regarding public access to city records would establish guidelines for the city to make records available to the public.

Board Meeting Without Quorum

During the January 15, 2024, open meeting, the attending board members did not constitute a quorum, but approved a new ordinance under the mistaken belief a quorum was present.

**Electronic Communication
Policy**

The city has not developed a records management and retention policy that includes electronic communication in compliance with the Missouri Secretary of State Records Services Division guidance, as approved by the Missouri Local Records Commission. This guidance recommends government entities have a policy on electronic messaging, including text messages, email, and other third party platforms.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.



Recommendations in the audit of the City of Chula

**Oversight and Accounting
Controls and Procedures**

The Board of Aldermen:

- 1.1 Establish oversight over the city's financial accounting functions to the extent possible and implement appropriate reviews and monitoring procedures.
- 1.2 Establish oversight for the city's community center operations and accounts, and include them in the city's standard operations and accounts, including annual budget efforts, as appropriate.
- 1.3 Ensure pre-numbered receipt slips are issued in numerical sequence for all money received, the numerical sequence of receipt slips is accounted for, and receipt slips indicate the method of payment. In addition, the board should ensure deposits are made timely.
- 1.4 Establish procedures to routinely detect and investigate outstanding checks. Old outstanding checks should be voided and reissued to payees that can be readily located. If payees cannot be located, the funds should be disposed of in accordance with state law.
- 1.5 Submit annual financial reports to the State Auditor's Office as required by state law.
- 1.6 Obtain annual audits of the combined waterworks and sewerage system as required by state law.
- 1.7 Publish semiannual financial statements as required by state law.
- 1.8 Timely prepare and approve annual budgets, and ensure budgets are adequately monitored.
- 1.9 Ensure checks are issued in numerical sequence with the sequence properly accounted for.

Sunshine Law

The Board of Aldermen:

- 2.1 Ensure closed meeting minutes are sufficiently detailed, only relevant reasons for entering closed meetings are provided and documented in the open meeting minutes, and only topics allowed by state law are discussed in closed meetings.
- 2.2 Develop a written public access policy.

**Board Meeting Without
Quorum**

The Board of Aldermen ensure a quorum is present before holding an open meeting and voting on city business. In addition, the board should determine if additional votes need to be held for previous votes taken that lacked a quorum.

**Electronic Communication
Policy**

The Board of Aldermen develop a written records management and retention policy to address electronic communications management and retention to comply with Missouri Secretary of State Records Services Division electronic communications guidelines.