



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the City of Rich Hill

Monitoring Financial Condition	<p>The Board of Aldermen (Board) has not been monitoring the financial condition of the city closely. Transfers from some utility funds are being made to subsidize the Police and Street Funds, which had negative balances, and restricted street revenues are being placed in the General Fund rather than the Street Fund. The Board is not receiving detailed information about cash balances for each fund throughout the year and there is no documentation to support discussion of cash flow problems or the reasons for transferring monies from the utility funds.</p>
Utilities	<p>Periodic formal cost studies of utility rates have not been performed and rates have not been increased or decreased for any utility services for the past several years. Controls over non-monetary adjustments posted to customers utility accounts need improvement. During 2015, the city did not perform monthly reconciliations of total amounts billed, payments received, and amounts unpaid for any of the utility services. City personnel are not always following the city's ordinances regarding late utility payments and utility shut off. Exceptions occurred for an employee in 2015 and relatives of some elected officials. City personnel are not sending applicable accounts to a collection agency or making other efforts to collect old accounts receivables before reclassifying the accounts as inactive and writing off the balance due. The city does not reconcile the list of customer utility deposits to city accounting records.</p>
Accounting Controls	<p>Several city funds had negative cash balances at December 31, 2015. The Board has not adequately segregated accounting duties or ensured documented supervisory or independent reviews of work performed by city office personnel are performed. Bank reconciliations were either not performed or were not retained for the city's 2 checking accounts (operating and perpetual care) during 2015. The city does not properly account for all manual receipt slips issued. Receipt slips are not issued for some monies received and the change fund is not kept at \$100 as set by city policy.</p>
Disbursements	<p>The Board's approval process for disbursements is not adequate and the Board is not presented adequate financial reports by city personnel when making spending decisions. The city does not always receive or retain supporting documentation for disbursements. The city does not always solicit competitive bids or proposals for goods and services and the city ordinance for procurement needs to be clarified to indicate when bidding is required. The city uses unsupported estimates to allocate payroll costs among various funds and there is no documentation to explain the allocation of some disbursements among restricted city funds. The city does not have written contracts with some service providers and certain outside parties, or could not locate the contracts. In January 2015, the city purchased approximately 8 acres, along with various buildings and garages from the Missouri Department of Transportation for \$15,000, plus some utility costs, without obtaining an appraisal. The Board has not adequately documented its plans for utilizing the buildings and land.</p>
Restricted Monies	<p>The city receipts some restricted street monies in the General Fund, rather than the Street Fund, does not track these restricted monies within the General Fund, and did not spend any money during 2015 from the General</p>

Fund for street purposes. The city did not accurately allocate property taxes among various city funds.

Financial Reporting	City personnel have not filed annual financial reports with the State Auditor's Office as required by state law. The city did not comply with state law regarding publishing financial statements.
Sunshine Law	On multiple occasions open meeting minutes documented a topic to be discussed in a closed meeting that was not addressed in the meeting. Board meeting minutes are not signed. In addition, the President of the Board was selected by the Mayor at the September 22, 2015, meeting, rather than by the Board, and the minutes do not indicate approval of this action.
Mayoral Powers	The Mayor improperly removed the former Fire Chief from office and appointed another individual to that position without approval from the Board, in violation of city ordinance and state law.
City Library	City library monies are held in the custody of both the city and the Library Board. Library property taxes received by the city are not always remitted timely to the Library Board. The Mayor has not been appointing new members to the Library Board annually but rather the Library Board has been making the appointments. The annual report filed with the Library Board and Board of Alderman does not contain all elements required by state law and has not been filed with the State Library as required.
Ordinances and Budgets	Some current city practices conflict with city ordinance and ordinances could not be located to support restrictions placed on some city funds through the passage of property and sales taxes. City budgets do not include all statutorily required elements and are not always approved timely.
City Vehicle and Fuel Usage	The city has not established effective monitoring procedures over fuel and vehicle and equipment use, and an accurate listing of all vehicles and equipment was not maintained.
Electronic Data Security	The city has not established adequate password controls to reduce the risk of unauthorized access to computer systems and electronic data. Employees are not required to change passwords on a periodic basis to help ensure they remain known only to the assigned user and to reduce the risk of a compromised password. In addition, backup of financial data is performed, but is stored on site in a fireproof safe.

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

*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.

All reports are available on our Web site: auditor.mo.gov