

MUNICIPALITY OF ASTORIA
INTERNAL CONTROL REVIEW
May 30, 2017

MUNICIPALITY OF ASTORIA
TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| Report on the Limited Study of Internal Control Performed in Accordance with South Dakota Codified Law 4-11-4.1..... | 1 |



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AUDITOR GENERAL

REPORT ON THE LIMITED STUDY OF INTERNAL CONTROL
PERFORMED IN ACCORDANCE WITH SOUTH DAKOTA CODIFIED LAW 4-11-4.1

Governing Board
Municipality of Astoria
Astoria, South Dakota

We have made a study of selected elements of internal control of the Municipality of Astoria (Municipality) in effect at May 30, 2017. Our study was performed pursuant to South Dakota Codified Law (SDCL) 4-11-4.1 and was limited to selected accounting controls contained in the codified laws and other selected controls we felt were significant to the Municipality. Our study was not conducted in accordance with the standards established by the American Institute of Certified Public Accountants for the purpose of giving an opinion on internal control in effect at the Municipality.

The management of the Municipality is responsible for establishing and maintaining internal controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objective of internal controls is to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded generally accepted accounting principles.

Because of inherent limitations in internal controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the internal controls to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operations of policies and procedures may deteriorate.

Our study was more limited than would be necessary to express an opinion on internal control of the Municipality. Also, our study would not necessarily disclose all significant weaknesses in internal controls of the Municipality. Accordingly, we do not express an opinion on internal control of the Municipality in effect at May 30, 2017.

However, our study did disclose weaknesses in internal controls of the Municipality in effect at May 30, 2017 as discussed below:

- a. The 2015 and 2016 annual reports were not completed, published and filed with the Department of Legislative Audit as required by SDCL 9-22-21. We recommend the Municipality prepare, publish and file the annual financial report in accordance with SDCL 9-22-21.

- b. Personal property inventories were not filed annually on the thirty-first day of December, or within ten days thereafter as required by SDCL 5-24-1. We recommend the Municipality annually perform personal property inventories as required by SDCL 5-24-1.
- c. The Municipality did not properly maintain the following necessary records:
 - 1. Cash Receipts Journal
 - 2. Cash Disbursement Journal
 - 3. General Ledger by Fund
 - 4. Accounts receivable record for the Sewer Fund
 - 5. Revenue Budget Record
 - 6. Expenditure Budget Record

We recommend the Municipality properly establish and maintain the necessary accounting records.

- d. The Municipality did not issue duplicate receipts as required by SDCL 9-22-3. We recommend the Municipality issue duplicate receipts for all cash collections, and record all transactions in a Cash Receipts Journal identifying the payer, date and form of payment, including batch receipts for utilities and receipts for direct deposits as required by SDCL 9-22-3.
- e. The Finance Officer did not perform proper monthly bank reconciliations for the accounts held by the Municipality. We recommend the Municipality prepare a proper monthly bank reconciliation.

This report is intended solely for the use of management and the governing board and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Martin L Guindon, CPA
Auditor General

May 30, 2017