

MUNICIPALITY OF GAYVILLE
INTERNAL CONTROL REVIEW

June 13, 2016

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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 Gayville
Gayville, South Dakota

We have made a study of selected elements of internal control of the Municipality of Gayville (Municipality) in effect at June 13, 2016. 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 properly to permit the preparation of general purpose financial statements in accordance with 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 June 13, 2016.

However, our study did disclose weaknesses in internal controls of the Municipality in effect at June 13, 2016 as discussed below:

- a. The monthly cash balance recorded in the fund cash balance record and the monthly balance reported in the minutes represented the cash balance in the checking accounts but did not include the value of certificates of deposit in the approximate amount of \$33,000. We recommend the certificates of deposit be included in the fund cash balance record and in the monthly report provided to the board.
- b. The accounts receivable subsidiary record for water, sewer and garbage included the monthly billings and collections by name, but did not include the beginning balance and the computation of ending monthly accounts receivable balances. In addition, the accounts receivable subsidiary records were not compared monthly to a general ledger control which assures that the accounts receivable postings were correctly recorded. We recommend that the accounts receivable subsidiary records include the monthly balance of accounts receivable and that the total accounts receivable be balanced monthly to a general ledger control.
- c. The Finance Officer did not perform a proper monthly bank reconciliation for the accounts held by the Municipality. We recommend the Municipality prepare a proper monthly bank reconciliation.
- d. The utility collections were receipted twice a month, but the payments were not recorded in the receipt journal by receipt number. In addition, the payment stubs were thrown away at year end. We recommend that payment stubs be batched by receipt number and be retained.
- e. The state remittances for alcohol reversion tax, the amusement tax and the local government highway and bridge collections were incorrectly recorded as sales tax collections. We recommend that receipts be properly recorded.

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

June 13, 2016