

**MUNICIPALITY OF GRENVILLE – DAY COUNTY**

**SPECIAL REVIEW**

**August 1, 2014 Through September 11, 2015**

MUNICIPALITY OF GRENVILLE – DAY COUNTY  
SPECIAL REVIEW

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MARTIN L. GUINDON, CPA  
AUDITOR GENERAL

Board of Trustees  
Municipality of Grenville – Day County  
Grenville, South Dakota

Pursuant to a request from the governing board of the Municipality of Grenville we performed procedures for the purpose of determining whether funds had been misappropriated from the Municipality during the time period of August 1, 2014 through September 11, 2015.

These procedures did not constitute an audit made in accordance with generally accepted government auditing standards and does not extend to, and we do not express an opinion on, any financial statements or reports of the Municipality of Grenville.

Our finding and related recommendation are contained in Finding Number 2015-001.

Martin L. Guindon, CPA  
Auditor General

December 10, 2015

**MUNICIPALITY OF GRENVILLE  
SCHEDULE OF SPECIAL REVIEW FINDINGS**

**Finding Number 2015-001:**

During the period of August 2014 through December 2015, former Grenville Municipal Finance Officer Becky Kennedy did not deposit all Municipality receipts into the Municipality's bank account, cashed Municipality checks for cash with no subsequent use of the proceeds for Municipality purposes, converted a deposit of Municipality checks to cash, made an unauthorized payroll payment to herself and made transfers from the Municipality's savings account to the Municipality's checking account without governing board authorization.

**Analysis:**

SDCL 9-22-1 states:

All money belonging to the municipality derived from taxation, license, fines, forfeitures, the operation of waterworks or other public utility owned or operated by it, or from any other source, shall be paid into the municipal treasury...

SDCL 9-22-5 states:

The treasurer [finance officer] shall keep all moneys in his hands belonging to the municipality separate and distinct from his own moneys.

He shall not use, directly or indirectly, the municipality's money or warrants in his custody for his own benefit or that of any other person.

SDCL 9-23-2 states:

No claim against any municipality shall be audited or allowed unless it be fully itemized and a memorandum of the same entered upon the minutes of the meetings of the governing body.

Pursuant to a request by the Municipality of Grenville (Municipality) we performed procedures we deemed relevant to the operations of the Municipality and to address the concerns raised by the governing board.

On August 15, 2014 the Municipality took over the operations of the Long Branch Bar, a municipally owned liquor store operation. Prior to this time the Municipality was leasing the operations to a private individual. Our review, as it relates to the operations of the Long Branch Bar (Municipal Liquor Store), is limited to the time period the Municipality took over the operations, August 15, 2014 through September 11, 2015. Our review of other areas related to the Municipality's finance office was limited to January 1, 2014 through September 11, 2015.

We found the following irregularities in the operation of the Municipality of Grenville finance office:

**A. Municipal Liquor Store Receipts and Deposits**

Deposits in the Municipality’s bank account for the period of August 15, 2014 through September 11, 2015 were approximately \$47,000 less than records of the Municipal Liquor Store receipts and the Municipality’s share of video lottery and game profits.

The table below shows a summary of the receipts and deposits related to the Municipal Liquor Store:

<b>Municipal Liquor Store Receipts and Deposit Summary</b>			
	<b>August 15, 2014 To December 31, 2014</b>	<b>January 1, 2015 To September 11, 2015</b>	<b>Total</b>
Municipal Liquor Store Receipt Collections Per Daily Shift Log and Register Tapes	\$ 43,526.68	\$ 112,919.85	\$ 156,446.53
Municipal Liquor Store Share of Video Lottery and Games Profit	5,168.66	23,830.06	28,998.72
<b>Total Municipal Liquor Store Receipts</b>	<b>\$ 48,695.34</b>	<b>\$ 136,749.91</b>	<b>\$ 185,445.25</b>
Deposit to Municipal Bank Account (Excluding: Transfers, State Remittances, County Remittances and Interest Earnings)	34,699.61	103,041.71	137,741.32
Amount Deposits to Municipal Bank Account were Short of Municipal Liquor Store Receipts	\$ (13,995.73)	\$ (33,708.20)	\$ (47,703.93)

Related to the video lottery and games profit amounts noted above, a review of the video lottery logs maintained by the Municipal Liquor Store revealed several instances between August 15, 2014 and September 11, 2015 where the video lottery logs noted that cash was turned over to the former Finance Officer, Becky Kennedy, to be deposited in the Municipality’s bank account. The video lottery logs noted the following:

- December 29, 2014 - \$4,047.00 - Deposited into bar account;
- February 23, 2015 - \$930.00 - Gave to Becky to deposit;
- March 9, 2015 - \$910.00 - Gave to Becky for deposit;
- June 29, 2015 - \$1,842.00 - Gave Becky to deposit; and,
- September 7, 2015 - \$2,000.00 - Gave to Becky.

We were not able to determine that the amounts noted in the video lottery logs were ever deposited intact to the Municipality’s bank account.

## **B. Municipal Checks Redeemed for Cash**

Ten Municipality of Grenville checks, totaling \$11,557.00, were presented and cashed at CorTrust Bank by the former Finance Officer between the dates of April 14, 2015 and August 25, 2015. A listing of the checks presented and cashed is shown on the attached Exhibit A.

In most instances, the check memo field notation or accounting record notation indicated that the purpose of the checks was to replenish the Municipal Liquor Store video lottery cash box. We would expect to see documentation of the cash being added and the corresponding increase in the balance of the video lottery cash box. We reviewed the video lottery box logs maintained by Municipal Liquor Store personnel from January 1, 2015 through September 11, 2015 and did not see the video lottery cash box balance being increased for the 10 checks noted in Exhibit A. In most instances the video lottery cash box is replenished, with the exception of a couple of isolated instances, with the monies from the lottery machines themselves when the vendor settles up with the Municipality.

We also noted that in three instances the date of the check and the date it was cashed were not presented in the normal numerical sequence of checks.

## **C. Additional Checks Presented for Cash**

Municipality of Grenville check number 12,649, in the amount of \$7,500.00, dated and cashed on August 15, 2014 contained only one signature, that of the former Finance Officer Becky Kennedy. The check was not supported with a voucher, was not listed in the board minutes for approval and was not recorded in the accounting records. The Municipality did resume operation of the Municipal Liquor Store on August 15, 2014 and the records indicate \$5,000.00 was used as video lottery start-up money and per discussion with the Liquor Store Manager; \$200.00 was used to start up the cash register. We were unable to determine the use or purpose for the remaining \$2,300.00.

Municipality of Grenville check number 12,366, in the amount of \$7,500.00, dated January 3, 2014 was cashed on January 1, 2014. The check was not supported with a voucher and was not listed in the board minutes for approval. The Municipality's accounting records indicate the check was for lottery purposes. In March of 2014, the Municipality leased the operation of the Municipal Liquor Store to a private citizen. We would expect that the \$7,500.00 startup cash from January would be returned to and redeposited by the Municipality. We were unable to determine the money was redeposited in the Municipality's bank account.

## **D. Deposit and Cash Withdrawal**

We determined, after receiving documentation from CorTrust Bank, that the former Finance Officer Becky Kennedy made a \$2,780.18 deposit on March 30, 2015 consisting of nine checks from the Municipal Liquor Store. We were informed by CorTrust Bank that there was simultaneously a cash withdrawal made by the former Finance Officer Becky Kennedy at the same time. We found no evidence the cash was deposited into another Municipal bank account or used for Municipal purposes. We found no evidence in the video lottery logs that this cash was used to replenish the video lottery box.

#### **E. Additional Payroll Check**

Municipality of Grenville former Finance Officer Becky Kennedy issued herself two payroll checks, both dated July 6, 2015.

Check number 13,042, in the amount of \$684.32, cleared the bank on July 31, 2015 and was not posted to the Municipal accounting records. A voucher was prepared for the check.

Check number 13,045, in the amount of \$792.36, cleared the bank on July 9, 2015 and was posted to the Municipal accounting records. We found no evidence of a voucher for this check.

#### **F. Cash Transfers from Savings to Checking**

From July 1, 2014 to August 17, 2015, a total of \$22,000.00 in withdrawals/transfers was made from the Municipality's savings account to the Municipality's checking account. Review of the Municipality's minutes revealed none of these transfers were approved by the governing board.

In most case the transfers were to eliminate a negative balance or avoid a negative balance in the Municipality's checking account. As of September 15, 2015, the Municipality's accounting records reported the Municipality's saving account balance as \$38,407.08; however, the actual balance of the Municipality's savings account per the bank was \$18,670.55.

#### **RECOMMENDATION:**

We recommend the Municipality of Grenville pursue recovery of money associated with items identified in this finding from former Finance Officer Becky Kennedy, including the cost of our special review.

**Municipal Checks Redeemed for Cash**

<b>Check Number</b>	<b>Check Date</b>	<b>Payee</b>	<b>Amount</b>	<b>Check Memo Field Notation</b>	<b>Date Cashed</b>	<b>Endorsement</b>	<b>Accounting Records Account-Memo</b>
12,944	4/14/15	CorTrust Bank	\$ 700.00	Cash for Lottery	4/14/15	Becky Kennedy	Longbranch-Cash for Lottery
12,938	4/28/15	CorTrust Bank	1,000.00	change	4/28/15	Becky Kennedy	Longbranch-Change
12,968	5/12/15	CorTrust Bank	520.00	none	5/13/15	none	Longbranch-Lottery
12,988	6/8/15	CorTrust Bank - Cash	769.00	none	6/9/15	Becky Kennedy- lottery fund checks	Longbranch Expense Liquor Fund-Other
13,010	6/22/15	"Blank"	1,600.00	none	6/25/15	Becky Kennedy	Longbranch
13,051	7/15/15	CorTrust Bank - Cash	1,000.00	Lottery Cash	7/15/15	Becky Kennedy	Longbranch-Lottery Cash
13,053	8/6/15	Cash	1,480.00	Lottery Cash	8/7/15	none	Longbranch-Lottery Cash
13,054	8/1/15	CorTrust Bank - Cash	1,288.00	Lottery Cash	8/14/15	Becky Kennedy	Not in Accounting Record
13,087	8/24/15	CorTrust Bank - Cash	2,000.00	none	8/25/15	Becky Kennedy	Not in Accounting Record
13,090	8/10/15	Cash	1,200.00	Lottery Cash	8/12/15	Becky Kennedy	Longbranch-Lottery Cash
		<b>Total</b>	<b>\$ 11,557.00</b>				



Municipality of Grenville  
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March 14, 2016

State of South Dakota  
Department of Legislative Audit  
Attn Martin L. Guindon, Auditor General  
427 South Chapelle  
c/o 500 East Capitol  
Pierre, SD 57501-5070

**RE: Special Review - Municipality of Grenville - Day County**  
August 1, 2014 - September 11, 2015 time period


Dear Auditor General:

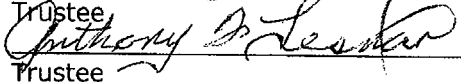
The Board of Trustees of the Municipality of Grenville, Day County, South Dakota has been provided with your Schedule of Special Review Findings regarding the above referenced matter and time period.

The purpose of this letter is to formally advise you that the Board of Trustees of Grenville had no prior knowledge of the alleged wrongful actions of its former employee, Becky Kennedy. The Board will follow the recommendations being made in the special review findings and will seek to recover the money associated with items identified in your findings from former Finance Officer Becky Kennedy, including the cost of the special review.

Thank you for your time and efforts with regard to this matter.

Sincerely,

  
\_\_\_\_\_  
Trustee

  
\_\_\_\_\_  
Trustee

Trustee