

MUNICIPALITY OF PUKWANA

INTERNAL CONTROL REVIEW

June 19, 2012

**MUNICIPALITY OF PUKWANA
MUNICIPAL OFFICIALS**

City Council:

**Roger Roberts
Alva Haugen
William Hanson**

Finance Officer:

Julie Pickner

MUNICIPALITY OF PUKWANA
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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MARTIN L. GUINDON, CPA
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 Pukwana

We have made a study of selected elements of internal control of the Municipality of Pukwana in effect at June 19, 2012. Our study was performed pursuant to South Dakota Codified Law 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 of Pukwana. 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 of Pukwana.

The management of the Municipality of Pukwana 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 of Pukwana. Also, our study would not necessarily disclose all significant weaknesses in internal controls of the Municipality of Pukwana. Accordingly, we do not express an opinion on internal control of the Municipality of Pukwana in effect at June 19, 2012.

However, our study did disclose weaknesses in internal controls of the Municipality of Pukwana in effect at June 19, 2012 as discussed below:

a. The Municipality did not properly maintain the following necessary records:

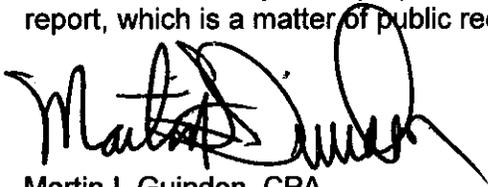
1. Cash Receipts Journal
2. Cash Disbursement Journal
3. General Ledger by Fund
4. General Journal
5. Utility/Security Deposit Record
6. Revenue Budget Record
7. Expenditure Budget Record
8. Capital Asset/Personal Property Listing
9. Vacation/Sick leave records

We recommend that the Municipality of Pukwana maintain the above necessary accounting records.

- b. The salaries of Municipal employees and officials were not published in the minutes of the governing board as required by SDCL 6-1-10. We recommend that the Municipality of Pukwana comply with SDCL 6-1-10.
- c. The bills paid by the Municipality were not listed in the minutes of the governing board or published in the official newspaper as required by SDCL 9-18-1. We recommend that the Municipality of Pukwana comply with SDCL 9-18-1.
- d. The Municipality has not prepared an annual report since 2002, which is required to be prepared annually by SDCL 9-22-21. We recommend that the Municipality of Pukwana comply with SDCL 9-22-21.
- e. The finance officer does not present revenue, expenditure or fund balance reports to the governing board as required by SDCL 9-22-20. We recommend that the Municipality of Pukwana comply with SDCL 9-22-20.
- f. The ordinance book maintained by the finance officer did not appear to be up to date as no ordinances after 1999 were included. There were also no certificates of publication included in the ordinance book as required by SDCL 9-19-14. We recommend that the Municipality of Pukwana comply with SDCL 9-19-14.
- g. The finance officer issues receipts only for cash collections, but not for checks. We recommend that the finance officer issue receipts for all funds collected.
- h. The finance officer does not appear to be depositing the cash collections intact or in a timely manner. We recommend that the finance officer make deposits intact and in a timely manner.
- i. The finance officer does not perform monthly bank reconciliations for all accounts held by the Municipality of Pukwana. We recommend that the finance officer reconcile all municipal accounts on a monthly basis.
- j. The Municipality has not established the required reserve account in accordance with the Sewer and Water Project Revenue Bond, Series 2008. We recommend that the Municipality establish the required reserve account in accordance with the Sewer and Water Project Revenue Bond.

- k. Vouchers, along with the proper support, were not always presented to the governing board for approval. We recommend that the finance officer prepare vouchers, attach detailed supporting documentation and present vouchers and support to the governing board for all payments, including automatic payments, made by the Municipality.
- l. The finance officer has not been remitting Social Security, Medicare and Income Tax withholdings to the United States Treasury. Our review revealed the Municipality has not remitted approximately \$6,000 of the above withholdings. We recommend that the Municipality properly remit any unremitted prior withholdings and future withholdings to the United States Treasury.
- m. Payments for employee's health insurance were recorded as an employee benefit. However, the policy manual only allows for one-half of the insurance premium to be an employee benefit and the other half of the premium should have been deducted from the finance officer's net pay. We recommend that the Municipality change the policy manual to match current practice, or follow the existing policy.
- n. The adopted budget for 2012 did not include enterprise funds. We recommend that the adopted budget be completed in the form recommended by the Department of Legislative Audit.
- o. The 2012 budget was not published in the minutes of the governing board as required by SDCL 9-21-2. We recommend that the Municipality comply with SDCL 9-21-2.

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 19, 2012