

**MUNICIPALITY OF WAKONDA**  
**INTERNAL CONTROL REVIEW**

**June 21, 2016**

MUNICIPALITY OF WAKONDA  
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



427 SOUTH CHAPELLE  
C/O 500 EAST CAPITOL  
PIERRE SD 57501-5070  
(605) 773-3595

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 Wakonda  
Wakonda, South Dakota

We have made a study of selected elements of internal control of the Municipality of Wakonda (Municipality) in effect at June 21, 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 control of the Municipality in effect at June 21, 2016.

However, our study did disclose weaknesses in internal controls of the Municipality in effect at June 21, 2016 as discussed below:

- a. 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.

- b. 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.
- c. The Municipality did not properly maintain the following necessary records:
  - 1. Cash Receipts Journal
  - 2. Cash Disbursements Journal
  - 3. Revenue Budget Record
  - 4. Expenditure Budget Record
  - 5. General Ledger

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

- d. Ten checks were pre-signed by the Mayor prior to the checks being completed with the payee and amounts. We recommend no checks be signed prior to their completion.
- e. The December 31, 2015 monthly financial report to the governing board did not include the value of the certificates of deposit and a library checking account which approximated \$365,000. We recommend the monthly financial report to the governing board include the value of all cash assets.
- f. The water and sewer subsidiary accounts receivable records were not reconciled to a general ledger control to ensure that receivable transactions are properly recorded and mathematically accurate. We recommend the accounts receivable subsidiary records be reconciled monthly to a general ledger control.
- g. None of the credit card payment vouchers contained the original receipts. We recommend all credit card payments be supported by itemized receipts.
- h. The 2015 annual report was 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.

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 21, 2016