

MUNICIPALITY OF FRANKFORT

INTERNAL CONTROL REVIEW

January 16, 2024

MUNICIPALITY OF FRANKFORT
MUNICIPAL OFFICIALS
January 16, 2024

Governing Board:

Russell Bau, Mayor
Leonard Bau
Cheryl Bollinger
Dale Clark
Joe Hurst
Greg Ratushny

Finance Officer:

Chris Disbrow

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RUSSELL A. OLSON
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 Frankfort
Frankfort, South Dakota

We have made a study of selected elements of internal control of the Municipality of Frankfort (Municipality) in effect at January 16, 2024. 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 January 16, 2024.

However, our study did disclose weaknesses in internal controls of the Municipality in effect at January 16, 2024 as discussed below:

- a. The November 2023 tax remittance from the County, in the amount of \$12,930.55, was incorrectly remitted, by direct deposit, to a School District instead of to the Municipality of Frankfort. Neither the County, the School District or the Municipality were aware of the incorrect deposit of the tax remittance. After we made the Municipality aware of the error, it was corrected by the financial institution. We recommend the Municipality compare the monthly tax remittance form to the direct deposit of taxes in the bank account.
- b. The governing board did not publish a complete list of employees' salaries with the proceedings of the first meeting of the year as required by SDCL 6-1-10. We recommend the governing board publish a complete list of employees' salaries with the proceedings of the first meeting of the year as required by SDCL 6-1-10.
- c. The annual financial reports have not been completed, published, and filed with the Department of Legislative Audit since 2011 as required by SDCL 9-22-21. We recommend the Municipality prepare, publish, and file the annual financial reports in accordance with SDCL 9-22-21.
- d. The Municipality did not properly maintain the following necessary records:
 1. Garbage and Sewer Accounts Receivable records and General Ledger Control
 2. Revenue Budget Record
 3. Expenditure Budget Record

We recommend the Municipality properly establish and maintain the necessary accounting records. We have provided guidance to the Municipality to help establish these records.

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.



Russell A. Olson
Auditor General

January 16, 2024