

MUNICIPALITY OF HAYTI
INTERNAL CONTROL REVIEW
April 21, 2017

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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 Hayti
Hayti, South Dakota

We have made a study of selected elements of internal control of the Municipality of Hayti (Municipality) in effect at April 21, 2017. 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 April 21, 2017.

However, our study did disclose weaknesses in internal controls of the Municipality in effect at April 21, 2017 as discussed below:

- a. Twenty checks were pre-signed by the board president prior to the checks being completed with the payee and amounts. We recommend no checks be signed prior to their completion.

- b. 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.
- c. The Municipality did not properly maintain the following necessary records:
 - 1. Revenue Budget Record
 - 2. Expenditure Budget Record

We recommend the Municipality properly establish and maintain the necessary accounting records. We have provided assistance to the Finance Officer to establish these records.

- d. The water, sewer and garbage subsidiary accounts receivable records were not reconciled to a general ledger control to ensure that receivable transactions and collections were properly recorded and mathematically accurate. We recommend the accounts receivable subsidiary records be reconciled monthly to a general ledger.
- e. The water and sewer operations are combined and reported as one fund. SDCL 9-47 and 9-48 require a separate fund be established for each enterprise operation. We recommend the Municipality set up separate enterprise funds for the water and sewer operations as required by SDCL 9-47 and 9-48.
- f. The receipts for water, sewer and garbage collections were correct in total; however, the amounts recorded in the Cash Receipts Journal were estimates of collections for each fund instead of the actual collections for each fund. We recommend the Municipality record the actual collections received for the water, sewer and garbage operations.

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

April 21, 2017