

MUNICIPALITY OF NEW EFFINGTON

INTERNAL CONTROL REVIEW

January 31, 2022

MUNICIPALITY OF NEW EFFINGTON
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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 New Effington
New Effington, South Dakota

We have made a study of selected elements of internal control of the Municipality of New Effington (Municipality) in effect at January 31, 2022. 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 31, 2022.

However, our study did disclose weaknesses in internal controls of the Municipality in effect at January 31, 2022:

- a. The annual budgets for 2021 and 2022 were introduced at its first regular meeting in August, approved in September and summarized as part of the minutes but did not include the enterprise funds and were not adopted as an ordinance in the format prescribed by SDCL 9-21-2 and the Municipal Accounting Manual. We recommend the appropriation ordinances be adopted as required by SDCL 9-21-2 and the Municipal Accounting Manual.
- b. The Municipality maintained the following records; however, improvements are necessary to be considered properly maintained:
 1. Cash General Ledger by Fund
 2. Cash Receipts Journal
 3. Cash Disbursement Journal
 4. Accounts receivable general ledger and Subsidiary Records
 5. Revenue Budget Record

We recommend the Municipality make suggested improvements to the necessary accounting records.

- c. The 2020 annual financial report contained financial reporting errors resulting in inaccurate and incomplete information being presented to the users of the annual financial report. We recommend the Municipality accurately complete the annual financial report.
- d. The Municipality did not properly prepare vouchers for the payment of expenditures which resulted in the following deficiencies:
 1. The vouchers were not referenced to a check number.
 2. The vouchers did not contain a perjury statement to be signed by the claimant for personal services or travel as recommended by the Municipal Accounting Manual.
 3. The vouchers were not properly coded to the fund, function and object to facilitate the proper approval by the governing board and for the proper posting to the cash disbursement journal and expenditure budget record.
 4. Vouchers were not properly prepared for all hourly employees in which to document the computation of salary paid.

We recommend that vouchers be properly prepared, referenced to the check and verified as recommended by the Municipal Accounting Manual.

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 31, 2022