

MUNICIPALITY OF RAVINIA – CHARLES MIX COUNTY

SPECIAL REVIEW

August 1, 2011 Through June 30, 2020

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SPECIAL REVIEW

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RUSSELL A. OLSON
AUDITOR GENERAL

Governing Board
Municipality of Ravinia
Ravinia, South Dakota

Pursuant to a request from the governing board of the Municipality of Ravinia we performed procedures for the purpose of determining the potential amount of funds misappropriated from the Municipality during the time period of August 1, 2011 through June 30, 2020.

These procedures did not constitute an audit made in accordance with generally accepted government auditing standards and do not extend to, and we do not express an opinion on, any financial statements or reports of the Municipality of Ravinia.

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.

Sincerely,

Russell A. Olson
Auditor General

November 18, 2020

MUNICIPALITY OF RAVINIA SPECIAL REVIEW

I. Background/Predication

The South Dakota Department of Legislative Audit (DLA) was contacted by the Municipality of Ravinia City Attorney, Tim Whalen, on July 14, 2020. Mr. Whalen informed us that the Municipality had concerns with payments made to the former Finance Officer for the Municipality of Ravinia.

The Municipality's Attorney requested that DLA start an engagement to conduct a special review of the transactions of the Municipality, to include the Finance Officer's salary and any other questionable transactions.

We spoke with the Municipality's Mayor, Wade Wright, on August 3, 2020, to begin obtaining the sources of evidence and to obtain authorization for access to bank documents.

On August 3, 2020, we spoke with the Branch Manager of Commercial State Bank in Wagner, the Municipality's banking institution. After obtaining authorization, Commercial State Bank provided us with copies of bank statements and signature cards for the Municipality.

We compared the bank statements with the annual reports provided to us by Georgia Andersh, the newly appointed Finance Officer. Also, while reviewing the bank statements, we traced expenditures to invoices, board meeting minutes and Treasurer's Reports. Additionally, we verified revenue sources and traced the deposits back to the bank statements.

II. Scope

The specific objectives of the special review were as follows:

1. Determine whether the former Municipality Finance Officer, Derol Hall, was paid the amount authorized by the Municipality for employment and expenses.
2. Determine whether expenses paid from the Municipality's bank accounts were appropriate Municipal expenses.
3. Determine whether documents provided to us were proper and valid records of the Municipality.
4. Determine whether revenue received was deposited in the Municipality's bank accounts and properly reported on the annual statements.

III. Approach

To accomplish the objectives of the special review, we performed the following procedures:

1. Examined the Municipality's bank statements received from Commercial State Bank for the period August 31, 2011 through July 31, 2020.

2. Obtained and examined the Treasurer's Reports for the period January 1, 2011 through July 1, 2020.
3. Obtained and reviewed the Municipality's minutes for board meetings for the period September 15, 2015 through July 7, 2020. Prior governing board minutes were not available for our review.
4. Conducted interviews of various persons as necessary.

IV. Finding

Based on the procedures performed, our significant finding is as follows:

Former Municipal Finance Officer, Derol Hall, received salary payments in excess of board approved salary in the amount of \$6,463.40. The following is a summary of the evidence and information that supports our finding:

1. Prior to January 1, 2016, we were unable to verify the former Municipality Finance Officer's salary due to lack of governing board minutes or other supporting documentation.
2. During the period from January 1, 2016 through June 30, 2020, former Municipality Finance Officer, Derol Hall, issued himself payroll checks in excess of what was authorized by the Municipality's governing board.
3. We reviewed the Municipality's board meeting minutes and did not find any approval for the additional amounts paid to Mr. Hall.

A summary of the payroll checks in excess of authorized pay by calendar year follows:

| Calendar Year | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020*</u> | <u>Total</u> |
|--|------------------|------------------|--------------------|--------------------|--------------------|--------------------|
| Salary paid - General Fund | \$ 1,531.70 | \$ 2,031.70 | \$ 2,900.00 | \$ 1,850.00 | \$ 1,600.00 | \$ 9,913.40 |
| Salary paid - Water/Sewer Fund | 1,000.00 | 500.00 | 1,800.00 | 1,850.00 | 600.00 | 5,750.00 |
| Total Salary paid | 2,531.70 | 2,531.70 | 4,700.00 | 3,700.00 | 2,200.00 | 15,663.40 |
| Authorized Net Salary Amount | 2,000.00 | 2,000.00 | 2,000.00 | 2,000.00 | 1,200.00 | 9,200.00 |
| Unauthorized Overpayment Amount | \$ 531.70 | \$ 531.70 | \$ 2,700.00 | \$ 1,700.00 | \$ 1,000.00 | \$ 6,463.40 |

*Calendar year 2020 Includes salary from January 1, 2020 - June 30, 2020.

V. Recommendation

We recommend the Municipality of Ravinia consult with legal counsel and consider options for the recovery of amounts identified in this report and the cost of our special review.