

**MUNICIPALITY OF VEBLEN**  
**INTERNAL CONTROL REVIEW**  
**July 7, 2022**

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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 Veblen  
Veblen, South Dakota

We have made a study of selected elements of internal control of the Municipality of Veblen (Municipality) in effect at July 7, 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 July 7, 2022.

However, our study did disclose weaknesses in internal controls of the Municipality in effect at July 7, 2022 as discussed below:

- a. The 2021 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.
- b. The governing board minute notes gave a detailed statement of all governmental expenditures approved by name and amount; however, it did not list the services rendered as required by SDCL 9-18-1. We recommend the detailed statement of expenditures in the governing board minute notes include the name, purpose or service rendered and amount for each expenditure approved as required by SDCL 9-18-1.
- c. The Water Fund reported a negative cash balance on the 2021 annual financial and in the Municipality's General Ledger. For internal control purposes over cash and proper cash management purposes, the cash should maintain a positive cash balance. We recommend the Water Fund maintain a positive cash balance and that the governing board re-evaluate the Water Fund enterprise fund charges for services to assure the Water Fund a self-sufficient enterprise fund.
- d. Several one-sided general journal entries were made to cash which were not documented with adequate supporting documentation to explain or authorize the transactions. We recommend that all general journal entries be individually explained as to the purpose of the journal entry, be adequately supported, and reviewed by the governing board.
- e. The Water, Sewer and Garbage subsidiary accounts receivable records were not reconciled to a general ledger control to ensure that receivable transactions were properly recorded and mathematically accurate. We recommend the accounts receivable subsidiary records by name be reconciled monthly to a general ledger control.
- f. The Municipality did not balance the water deposits subsidiary records to a general ledger control and did not segregate the general ledger balance of the water deposits from the operating cash balance of the Water Fund. We recommend the Municipality establish the required water deposit balance, reconcile the water deposits subsidiary records by name to a general ledger control and segregate the general ledger balance for water deposits in the Water Fund.

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

July 7, 2022