

MUNICIPALITY OF WAKONDA

INTERNAL CONTROL REVIEW

September 27, 2021

MUNICIPALITY OF WAKONDA
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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 Wakonda
Wakonda, South Dakota

We have made a study of selected elements of internal control of the Municipality of Wakonda (Municipality) in effect at September 27, 2021. 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 September 27, 2021.

However, our study did disclose weaknesses in internal controls of the Municipality in effect at September 27, 2021 as discussed below:

- a. The 2015, 2016, 2017 and 2018 annual financial statements were not completed, published or filed with the Department of Legislative Audit until October 2019. In addition, the 2019 and 2020 annual financial statements have not been completed as of the date of this report and are delinquent. We recommend the Municipality prepare, publish and file the annual financial reports in accordance with SDCL 9-22-21.
- b. The Municipality did not properly maintain the following necessary records:
 1. Cash General Ledger by Fund
 2. Cash Receipts Journal
 3. Cash Disbursement Journal
 4. Utility Accounts Receivable Records
 5. Water Deposit Individual Subsidiary Records
 6. Revenue Budget Record
 7. 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.

- c. The official minutes gave a detailed statement of all expenditures by name and amount but did not show the service rendered as required by SDCL 9-18-1. In addition, several minutes were not published within twelve days of the board meeting as required by SDCL 9-18-1. We recommend the minutes be published within twelve days of the board meeting and that the detailed statement of expenditures in the minutes include the purpose for the expenditure as required by SDCL 9-18-1.
- d. The 2018 annual financial report, which was the last annual financial report completed by the Municipality, contained financial reporting errors resulting in inaccurate and incomplete information being presented. We recommend the Municipality accurately complete the annual financial report.
- e. 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. We recommend that vouchers be properly prepared and contain a perjury statement by the claimant for personal services or travel as recommended by the Municipal Accounting Manual.
- f. The Finance Officer presented a monthly financial report to the governing body as required by SDCL 9-22-20; however, the report did not provide an accurate statement of cash balances by fund. We recommend the monthly financial reports include an accurate statement of cash balances by fund.
- g. Monthly minimum surcharges have been imposed to retire a 2015 Sewer Fund Clean Water SRF loan and a 2018 Water Fund Drinking Water SRF loan. The Water Fund and Sewer Fund surcharge collections have been recorded as part of the operating income, but the cash received has not been segregated in the accounting system for the retirement of debt. The bond agreements require that the surcharge collections for the

loan be segregated from other cash balances of the Municipality and be used for the payment of the indebtedness. We recommend the Municipality compute the existing cash balance of the applicable surcharge collections received for each fund and segregate the cash balances for operations and debt repayment in the Water Fund and Sewer Fund accounting 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.

A handwritten signature in black ink that reads "Russell A. Olson". The signature is written in a cursive, flowing style.

Russell A. Olson
Auditor General

September 27, 2021