

MUNICIPALITY OF WESTPORT

INTERNAL CONTROL REVIEW

February 23, 2023

MUNICIPALITY OF WESTPORT
TABLE OF CONTENTS

	<u>Page</u>
Report on the Limited Study of Internal Control Performed in Accordance with South Dakota Codified Law 4-11-4.1.....	1



427 SOUTH CHAPELLE
C/O 500 EAST CAPITOL
PIERRE, SD 57501-5070
(605) 773-3595

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 Westport
Westport, South Dakota

We have made a study of selected elements of internal control of the Municipality of Westport (Municipality) in effect at February 23, 2023. 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 February 23, 2023.

However, our study did disclose weaknesses in internal controls of the Municipality in effect at February 23, 2023 as discussed below:

a. 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.

- b. A monthly minimum Sewer Fund surcharge of \$32.50 was imposed in 2021 through a revenue bond resolution to retire a Clean Water Project Revenue Bond. The bond resolution requires that the surcharge for the indebtedness be segregated from other revenues of the Municipality and be used only for the payment of the indebtedness. The collections have been recorded as part of the Sewer Fund operating income but have not been segregated in the accounting system for the retirement of the indebtedness. We recommend the Municipality compute the existing cash balance of the surcharge collections since 2021 and segregate the cash balances for operations and indebtedness payment in the Sewer Fund accounting records.
- c. The governing board did not publish a complete list of employees' salaries with the proceedings of the first meeting of the year as required by SDCL 6-1-10. We recommend the governing board publish a complete list of employees' salaries with the proceedings of the first meeting of the year as required by SDCL 6-1-10.
- d. The Municipality did not prepare vouchers to support the payment of claims. SDCL 9-23-1 requires that before any claim against any municipality is allowed that an itemized invoice must be accompanied by a voucher. The use of a voucher facilitates the approval, coding and verification of the claims against the Municipality. We recommend the Municipality properly prepare vouchers to support all claims against the Municipality as required by SDCL 9-23-1.
- e. The 2022 and 2023 annual appropriation ordinances were not adopted 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.
- f. 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. We recommend the detailed statement of expenditures in the minutes include the purpose for the expenditure as required by SDCL 9-18-1.

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

February 23, 2023