



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

MAURICE C. CHRISTIANSEN, CPA  
AUDITOR GENERAL

October 22, 1990

TO: County Auditor

FROM: Deene Dayton, Audit Manager *Deene*

RE: Audit Scheduling

This letter is to inform you the Department of Legislative Audit has scheduled you for an audit for the two unaudited years of 1989 and 1990. South Dakota Codified Law 4-11-4 requires that counties be audited at least once every two years. One of our auditors will be contacting you shortly after January 1 to discuss with you the details of the audit. Please be prepared to indicate the amounts and types of federal financial assistance your county might have received, directly or indirectly, in 1989 and 1990 so that our audit tests can be designed accordingly.

If you have any questions regarding the audit, feel free to contact me at 773-5932.



Maurice C. Christiansen, CPA  
AUDITOR GENERAL

435 SOUTH CHAPELLE  
PIERRE, S.D. 57501-3292  
(605) 773-3595

March 1, 1991

Board of County Commissioners  
Hand County  
Miller, SD 57362

This will confirm our understanding of the arrangements for our fiscal and compliance audit of the financial statements of all funds and account groups of Hand County for the two years ending December 31, 1990. Our examination will be made in accordance with generally accepted government auditing standards for financial and compliance audits; the Single Audit Act of 1984; and the provisions of the Office of Management and Budget Circular A-128, Audits of State and Local Governments and, accordingly, will include such tests of the accounting records and such other auditing procedures as we consider necessary in the circumstances. Our examination will include tests of compliance with state and federal laws, rules and regulations and policies and procedures. The audit report will, at a minimum, include the general purpose financial statements.

The purpose of our examination is to express an opinion on the fairness of the financial statements taken as a whole. If during the course of our examination we find that we are unable to express an unqualified opinion on the financial statements, we will notify you of the problems encountered. In addition, we will also issue a report on internal control and another report on compliance.

We will discuss with the appropriate personnel such suggestions and recommendations concerning the accounting methods, financial affairs and legal compliance that may occur to us in the course of our work.

Our audit is not primarily or specifically designed to disclose all errors, irregularities, or illegal acts, including fraud and defalcations, although their discovery may result. We will inform you and the appropriate legal officials of any such matters that might come to our attention.

We extend an option for you to formally respond to the audit report and will include your response, if made, in the audit report.

There are no specific areas you wish to have us review.



You are required to submit a copy of the audit report to each federal department or agency that provided you with direct federal funding.

Our fee for these services is \$28.47 per billable hour. Travel time and time not spent directly on your audit are not considered to be billable time. You do not desire any specific cost breakdowns.

If this letter correctly expresses your understanding, please sign both copies where indicated and return the duplicate copy to us.

Sincerely yours,

DEPARTMENT OF LEGISLATIVE AUDIT

*Sandra Duxbury*

Sandra Duxbury  
Auditor In Charge

Approved:

*Betty Morford*  
\_\_\_\_\_  
Betty Morford, County Auditor

*3/6/91*  
\_\_\_\_\_  
Date

*Bob Schroeder*  
\_\_\_\_\_  
Bob Schroeder, Chairman of Board

*3/6/91*  
\_\_\_\_\_  
Date



## PROJECT CLOSE OUT AND PREPARATION FOR AUDIT

The individual responsible for financial management of a grant should, at termination of the project, prepare for close out and a possible audit.

The suggested steps are as follows:

- \_\_\_\_\_ 1. Complete final fiscal report.
- \_\_\_\_\_ 2. Check all entries and computations to ensure there are no mistakes.
- \_\_\_\_\_ 3. Determine cash balance:
  - (a) Return any excess cash to general fund or to the Division, whichever is appropriate.
  - (b) Request remaining reimbursement of federal and state grant funds.
- \_\_\_\_\_ 4. At the time of close out, combine all files into a manageable holding system and check to see that copies of the following documents are included:
  - (a) Approved copy of grant application
  - (b) Statement of grant award
  - (c) All approved and disapproved grant adjustment forms
  - (d) All correspondence related to the grant
  - (e) All monthly financial reports submitted to the Division
  - (f) All requests for funds
  - (g) Implementation report
  - (h) Personnel - all time sheets and payroll/tax reports
  - (i) Travel - all paid vouchers and/or receipts
  - (j) Contract Services - all contracts, bid information, and prior agency approvals
  - (k) Consultant and Professional Services - all contracts and/or bid documents and competitive quotation information where appropriate, prior agency approvals and invoices
  - (l) Supplies and Materials - all contracts and/or bid documents and competitive quotation information where appropriate, purchase orders and invoices
  - (m) Capital Assets - all bid or competitive quotation information, purchase orders, invoices and Division inventory form
  - (n) Construction - all bids, contracts and invoices

HAND COUNTY

FINDINGS AND/OR RECOMMENDATIONS

1. INTERNAL ACCOUNTING CONTROL AND RECORD KEEPING DEFICIENCIES:

The following records, which are needed to complete the county's accounting system, were either not maintained or if maintained were incomplete and/or inaccurate:

- \* a. Revenue budget record. WP PG-1
- \* b. General journal WP PG-1
- \* c. General ledger. WP PG-1
- \* d. Apportionment record WP M 2
- \* e. Fixed asset records WP K-1
- \* f. Cash disbursement journal WP N-1
- \* g. Tax account record. WP F-1
- h. Vacation and/or sick leave records. WP O-2

The following internal accounting control deficiencies were noted which diminish assurances that transactions were properly executed and recorded and that assets were properly safeguarded:

- a. Verification of the treasurer's cash assets by the county auditor at the close of each month's business has not been performed as required by SDCL 7-10-3. WP D 1/1
- b. Formalized leave requests, initiated and signed by the employees, have not been prepared or filed in the employee's permanent file to support leave used. WP O 2/1
- \* c. The county auditor has not reconciled the unpaid taxes in the treasurer's tax list to the tax account record on June 30 and December 31 of each year as required by SDCL 10-17-9. WP F 1/1
- d. The county auditor has not reconciled the published list of unpaid taxes to the unpaid taxes in the tax list as required by SDCL 10-23-2. WP F 3/1
- e. Distribution of collections for other political sub-divisions was not made by the 20th of the month subsequent to collection in at least one instance. Existing statutes require that a penalty of 1% per month on the unremitted balance be imposed when remittance are not made by the 20th of the month. Due to these requirements a penalty of \$601.88 is owed by the county to the various sub-divisions. WP J 7/1

*We were interpreting the law to read that it was distributed on the 20th*

2. PERSONAL PROPERTY TAX REPLACEMENT DISTRIBUTION: WF J 3/1

\*

Personal property tax replacement monies were not distributed in the manner prescribed by SDCL 10-13A-5 during the period 1984 through 1988 resulting in aggregate over/under payments to various taxing subdivisions of \$150,591.21.

SDCL 10-13A-5 states the entitlement of each subdivision is determined by multiplying the real property taxes levied during the previous year by the subdivision times the ratio of personal property taxes to real property taxes levied by the subdivision from 1972 through 1976.

The county failed to use the previous years tax levies when computing entitlements which resulted in the over/under payments.

3. BANK FRANCHISE TAX DISTRIBUTION: WF J 4/1

\*

Bank franchise tax monies were not distributed in the manner prescribed by statute during the period 1984 through 1988 resulting in aggregate over/under payments to various taxing subdivisions of \$13,426.71.

SDCL ~~10-43-71~~ states the tax is to be distributed based on the average of personal property tax levied by each subdivision from 1972 through 1976.

The county distributed this money in the same manner as they distributed PFTR.

4. FINANCIAL STATEMENTS: WF R. A-8

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The 1987 and 1988 annual financial statements prepared by county officials were incomplete and inaccurate. In the 1988 annual financial report the total assets exceeded the total liabilities and equity by \$11,315.70 and in the 1987 annual financial report the total assets exceeded the total liabilities and equity by \$1,243.10. Also neither year's annual report included statements of revenue, expenses and changes in fund balance, budget and actual. Also the 1987 annual financial statement was not published until July 27, 1988.

SDCL 7-10-4 requires the county auditor to prepare an annual financial report by March 1st and to publish this report within 30 days thereafter.

The annual financial statements are to be complete and accurate presentations of financial data.



5. INTERNAL REVENUE SERVICE FORMS 1099: WP N 2/1

IRS forms 1099 have not been prepared for individuals or concerns to whom payments have been made for gravel royalties, court reporter fees, court appointed attorneys and highway contractors. Current Internal Revenue Service regulations require 1099's to be prepared for all payments exceeding \$600.00 to individuals or concerns which are not incorporated.

6. SURPLUS PROPERTY, SALES TAX AND EXCISE TAX: WP G 2/1

Various items of personal property (culverts, used bridge plank and posts) have been sold by the county without the commissioners first declaring the property to be sold as surplus and having it appraised as required by SDCL 6-13.

Also the county has not collected sales tax on these sales nor has the county collected excise tax for work being done for organized townships or other taxing entities as required by current Dept. of Revenue regulations. Also it was noted the county owned copier is being used by persons not connected with the county and no sales tax has been collected on these sales.

7. FUND STRUCTURE: WP PB 1 & P 1/1

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The county's fund structure contains several funds which should be closed out and moved to the county's general fund. These funds were eliminated in 1985 with close out to be made on December 31, 1985. Funds to be closed out are enumerated in statute.

\* THE ABOVE REFLECTS ITEMS DISCUSSED AT THE TIME OF THE PRIOR AUDIT WITH THE BOARD AND COUNTY AUDITOR ON AUGUST 4, 1987 BY OUR AUDITOR BRUCE HINTZ. A LISTING OF THESE COMMENTS WAS LEFT WITH THE COUNTY AT THE TIME OF THE PRIOR AUDIT.