

REPORT OF THE
STATE AUDITOR of MINNESOTA

850264

REVIEW OF THE CURRENT ACCOUNTING AND MANAGEMENT PRACTICES
OF
KANABEC SOIL AND WATER CONSERVATION DISTRICT
YEAR ENDED JUNE 30, 1984



ARNE H. CARLSON

State Auditor
St. Paul, Minnesota



STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 400

555 PARK STREET

SAINT PAUL 55103

296-2551

ARNE H. CARLSON
STATE AUDITOR

January 10, 1985

The Honorable William Cross, Chairman
Board of Supervisors
Kanabec Soil and Water Conservation District
214 N. W. Railroad Avenue
Mora, Minnesota 55051

Enclosed is a copy of our report on the review of Kanabec Soil and Water Conservation District, covering the year ended June 30, 1984. The review covered internal controls and compliance issues and did not include an audit of your financial statements for the year ended June 30, 1984.

We intend to be readily available throughout the year to assist you in implementing any of our recommendations. If you have comments or questions about the report or other matters, please do not hesitate to contact me or any member of the staff.

Sincerely,

A handwritten signature in dark ink, appearing to read "Arne H. Carlson", is written over the typed name.

ARNE H. CARLSON
State Auditor

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The Honorable William Cross, Chairman
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We have reviewed the Kanabec Soil and Water Conservation District's current accounting and management practices for the year ended June 30, 1984. As part of our review, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary to evaluate the system, as required by generally accepted auditing standards. Our review disclosed the conditions below that we consider to be of importance to management.

The District's administration is responsible for establishing and maintaining a system of internal accounting controls. The system must provide reasonable assurance that assets are safeguarded against loss, and that transactions are executed with proper authorization and recorded properly to permit reporting in accordance with generally accepted accounting principles.

We also reviewed compliance with certain statutes, administrative rules and opinions of the Attorney General that we deemed necessary or appropriate. This review did not include all regulatory provisions which may be applicable, and was not intended to provide assurance of full compliance with all regulatory provisions. However, we noted no instances of noncompliance with the legal provisions reviewed.

We are presenting the following recommendations to assist you in maintaining effective internal control. These recommendations are especially important and deserve your attention.

A. Savings Account

Currently the District's savings account has only one custodian, the District Clerk, who keeps the passbook. To maintain adequate control over this asset, at least two signatures of authorized representatives of the District should be necessary before a withdrawal can be made.

We recommend that the District instruct the bank that withdrawals can be made from the savings account only by transfer to the District's checking account. In this way the controls that are in operation for the District's disbursements by check would also control withdrawals from the savings account.



B. Cash Receipts

The review of cash receipts found that:

1. Copies of some receipts were missing;
2. Receipt numbers were not listed in the cash receipts journal; and
3. Certain monies were receipted directly to the District's savings account.

To maintain an accounting trail for cash receipts, we recommend that all copies of cash receipts be maintained, even if voided; that receipt numbers be shown in the cash receipts journal; and that all monies be receipted directly to the District's checking account.

C. Disbursements

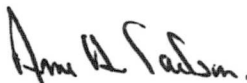
1. Voided checks were not being retained and the supply of unused checks was not safeguarded under lock and key. To prevent misuse, we recommend that voided checks be retained by the District and that, when not in use, the supply of blank checks be locked up.
2. Supervisors are signing checks before they are filled out with the name of payee, date and amount. The Board has properly followed a policy of reviewing documentation before approving disbursements; the signing of blank checks undermines this control. We recommend that checks be filled out completely prior to supervisors signing them.

D. Cost Share

The disbursements for the Cost Share Program did not relate disbursements to the year funds were received from the State. Without records relating the disbursements to the year received it is difficult to determine what amounts of state funds are encumbered and what amount should be returned to the State.

We recommend that a yearly journal be maintained for the Cost Share Program which segregates each year's activity: state funds received by fiscal year, projects for which funds are allocated, encumbrances, and date of disbursements.

After you have reviewed these suggestions, we would be pleased to discuss them with you and assist you in implementing them.



ARNE H. CARLSON
State Auditor