

MUNICIPALITY OF CAVOUR
INTERNAL CONTROL REVIEW
December 15, 2016

MUNICIPALITY OF CAVOUR
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



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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 Cavour
Cavour, South Dakota

We have made a study of selected elements of internal control of the Municipality of Cavour (Municipality) in effect at December 15, 2016. 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 December 15, 2016.

However, our study did disclose weaknesses in internal controls of the Municipality in effect at December 15, 2016 as discussed below:

- a. Personal property inventories were not filed annually on the thirty-first day of December, or within ten days thereafter as required by SDCL 5-24-1. We recommend the Municipality annually perform personal property inventories as required by SDCL 5-24-1.
- b. 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.

- c. The Municipality did not issue duplicate receipts as required by SDCL 9-22-3. We recommend the Municipality issue duplicate receipts for all cash collections, and record all transactions in a Cash Receipts Journal identifying the payer, date and form of payment, including batch receipts for utilities and receipts for direct deposits as required by SDCL 9-22-3.
- d. The Municipality did not properly maintain the following necessary records:
 - 1. Cash Receipts Journal
 - 2. Revenue Budget Record
 - 3. Expenditure Budget Record

We recommend the Municipality properly establish and maintain the necessary accounting records. We have provided assistance to the new Finance Officer to establish these records.

- e. The minutes from July 2016 through December 2016 did not give a detailed statement of all expenditures by name, services rendered and amount as required by SDCL 9-18-1. We recommend the minutes include a detailed statement of expenditures as required by SDCL 9-18-1.
- f. The 2017 annual appropriation ordinance was not presented or adopted as required by SDCL 9-21-2. We recommend the Municipality adopt an annual appropriation ordinance as required by SDCL 9-21-2.
- g. The following deficiencies were noted in the preparation of vouchers:
 - 1. The vouchers did not contain a perjury statement to be signed for personal services and/or travel in accordance with SDCL 9-23-1. In addition, evidence of verification by the Finance Officer was not included on the voucher.
 - 2. The vouchers did not contain the check number issued for the purchases.
 - 3. The vouchers were not coded to the fund, function and object to facilitate the proper approval by the governing board and for the proper posting to the Cash Disbursement Journal and Expenditure Budget Record.

We recommend that vouchers be properly prepared and verified as required by SDCL 9-23-1.

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.



Martin L Guindon, CPA
Auditor General

December 15, 2016