

**MUNICIPALITY OF COLOME**  
**INTERNAL CONTROL REVIEW**  
**February 16, 2016**

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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 Colome  
Colome, South Dakota

We have made a study of selected elements of internal control of the Municipality of Colome (Municipality) in effect at February 16, 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 February 16, 2016.

However, our study did disclose weaknesses in internal controls of the Municipality in effect at February 16, 2016 as discussed below:

a. The Municipality did not properly maintain the following necessary records:

1. Accounts receivable general ledger and corresponding subsidiary records.
2. Cash Receipts Journal
3. Cash Disbursements Journal
4. Revenue Budget Record
5. Expenditure Budget Record
6. General Ledger

We recommend the accounting records be accurately maintained.

b. The following deficiencies were noted in the preparation of vouchers:

1. The vouchers did not contain a perjury statement to be signed for personnel services and/or travel in accordance with SDCL 9-23-1. In addition, a perjury statement to support the finance officer's review was also not included on the voucher.
2. The vouchers did not contain the check number issued for the purchases. As a result, there was no internal control mechanism to control the sequential disbursement of funds.
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. Instead the check stubs were coded and given to the public accountant for recording.

We recommend that vouchers be properly prepared and published.

- c. The annual appropriation ordinances for 2015 and 2016 adopted by the Municipality combined all the funds as one fund and did not separate the means of finance and appropriations for each budgeted fund as required by SDCL 9-21-2. We recommend the budget be adopted by fund as required by SDCL 9-21-2.
- d. 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.
- e. The Liquor, Lodging and Dining Gross Receipts Tax collections authorized by SDCL 10-52A-2 for specific expenditures were receipted to the General Fund instead of to a separate special revenue fund. We recommend a Liquor, Lodging and Dining Gross Receipts Tax special revenue fund be established as required by SDCL 10-52A-2.

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, appearing to read "Martin L. Guindon". The signature is fluid and cursive, with the first name "Martin" and last name "Guindon" clearly distinguishable.

Martin L Guindon, CPA  
Auditor General

February 16, 2016