

MUNICIPALITY OF COLUMBIA
INTERNAL CONTROL REVIEW
DECEMBER 18, 2017



State of South Dakota
Department of Legislative Audit
427 South Chapelle
c/o 500 East Capitol
Pierre, SD 57501-5070

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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 Columbia
Columbia, South Dakota

We have made a study of selected elements of internal control of the Municipality of Columbia (Municipality) in effect at December 18, 2017. 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 18, 2017.

However, our study did disclose weaknesses in internal controls of the Municipality in effect at December 18, 2017 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 2012, 2013, 2015 and 2016 annual reports were not completed, published and filed with the Department of Legislative Audit as required by SDCL 9-22-21. We recommend the Municipality prepare, publish and file the annual financial reports in accordance with SDCL 9-22-21.
- c. The 2014 annual financial report contained financial reporting errors resulting in inaccurate and incomplete information being presented to the users of the annual financial report. We recommend the Municipality accurately complete the annual financial report. We have provided assistance to the Finance Officer regarding proper financial reporting.
- d. A Sales Tax Revenue Bond was approved in 2017 which required specific funding for the construction and debt service for a new City Hall. The funds and reserves required by the revenue bond have not yet been established to account for the construction, debt service and required reserves. We recommend the Municipality establish the proper funds and reserves as required by the 2017 Sales Tax Revenue Bond. We have provided assistance to the Finance Officer to establish the proper funds and reserves.
- e. We noted that a Columbia Ball Park Fund checking account had been established from donations to be used for ball park purposes which used the Municipality's Federal Tax ID number. The Columbia Ball Park Fund had a balance of approximately \$9,200 as of December 31, 2016 and was not accounted for in the Municipality's records. We recommend that the Municipality consult with legal counsel and formally establish the status for the operation of the Columbia Ball Park Fund account either as a part of the Municipality or consider placing the operations under another entity, perhaps a non-profit organization.
- f. The Municipality did not properly maintain the following necessary records:
 1. Cash General Ledger by Fund
 2. Accounts Receivable General Ledger
 3. Cash Receipts Journal
 4. Revenue Budget Record
 5. Expenditure Budget Record

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

- g. The Finance Officer did not perform proper monthly bank reconciliations for the accounts held by the Municipality. We recommend the Municipality prepare proper monthly bank reconciliations.

- h. 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.
- i. The 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.
- j. The Municipality 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 Municipality publish a complete list of employees' salaries with the proceedings of the first meeting of the year as required by SDCL 6-1-10.
- k. The annual appropriations ordinance for 2017 was adopted by the Municipality by means of a motion instead of by an ordinance and was not published as required by SDCL 9-21-2. In addition, the annual appropriations ordinance for 2018 was not addressed in the minutes or published in the official newspaper as required by SDCL 9-21-2. We recommend the Municipality adopt the annual appropriations by ordinance and publish the annual appropriations ordinance no later than December thirty-first as required by SDCL 9-21-2.

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.



Martin L Guindon, CPA
Auditor General

December 18, 2017

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