

MUNICIPALITY OF SAINT LAWRENCE

INTERNAL CONTROL REVIEW

August 16, 2016

MUNICIPALITY OF SAINT LAWRENCE
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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 Saint Lawrence
Saint Lawrence, South Dakota

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

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

- a. 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.

- b. The 2013, 2014 and 2015 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 annual appropriation ordinance for 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 Municipality did not properly maintain the following necessary records:
 - 1. General Ledger
 - 2. Cash Receipts Journal
 - 3. Cash Disbursements Journal
 - 4. Revenue Budget Record
 - 5. Expenditure Budget Record
 - 6. Water Deposit Record

We recommend the Municipality properly establish and maintain the necessary accounting records.

- f. The Finance Officer did not perform a proper monthly cash reconciliation for the accounts held by the Municipality. The cash reconciliation at December 31, 2015 did not include \$71,349 of outstanding checks which were not issued in sequential order, but were recorded in the accounting records. In addition, a certificate of deposit totaling \$14,773.02 was not recorded in the general ledger. We recommend the Municipality prepare a proper monthly cash reconciliation. We also recommend that all checks be issued in sequential order.
- g. 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.
- h. The following deficiencies were noted in the preparation of vouchers:
 - 1. Very few of the vouchers had supporting documentation attached, such as time sheets or invoices to support the amount paid as required by SDCL 9-23-1.
 - 2. No vouchers were signed by the claimant for personal services performed as required by SDCL 9-23-1.
 - 3. Payroll vouchers only reflected the net payroll and did not show deductions for withholdings, except for a few vouchers in which the payroll stub was attached.
 - 4. Most of the vouchers did not indicate the fund or department from which the disbursement was to be charged.
 - 5. Two checks were issued out of order. As a result, \$71,349 of outstanding checks at December 31, 2015 were not included in the cash reconciliation.

We recommend that vouchers be properly recorded, supported 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.

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

August 16, 2016