

**MUNICIPALITY OF BELVIDERE**

**INTERNAL CONTROL REVIEW**

**March 22, 2016**

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REPORT ON THE LIMITED STUDY OF INTERNAL CONTROL  
PERFORMED IN ACCORDANCE WITH SOUTH DAKOTA CODIFIED LAW 4-11-4.1

Governing Board  
Municipality of Belvidere  
Belvidere, South Dakota

We have made a study of selected elements of internal control of the Municipality of Belvidere (Municipality) in effect at March 22, 2016 and for the three years then ended. 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 March 22, 2016.

However, our study did disclose weaknesses in internal controls of the Municipality in effect at March 22, 2016 as discussed below:

- a. The governing board has not provided sufficient surety bond coverage for the finance officer. SDCL 9-14-6.1 requires a bond equal to the amount of cash on hand but the coverage need not exceed \$150,000. The Municipality had a cash balance exceeding \$150,000 during the period of this review, but the surety bond coverage for the finance officer was only \$127,000. We recommend the Municipality increase the finance officer surety bond to \$150,000.00.

- b. 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.
- c. The proposed budget was presented as a resolution instead of as an ordinance and the final tax levy request was adopted by ordinance and published on August 27, 2015. SDCL 9-21-2 requires the budget be adopted as an ordinance. We recommend the board adopt the budget entirely through a budget ordinance as required by SDCL 9-21-2.
- d. 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.
- e. The finance officer did not prepare a monthly financial report to the board until late in 2015. The governing board does not have an ordinance to prescribe a full and detailed account of all receipts and expenditures since the last report, and the state of the treasury as required by SDCL 9-22-20. We recommend the board adopt an ordinance to prescribe the format for a monthly financial report to the board.
- f. Executive sessions were held without a motion, vote or purpose of the executive session as required by SDCL 1-25-1 and 2. We recommend that executive or closed meeting be held only upon a majority vote of the members of such body present and voting and indicate the purpose of the executive session.
- g. Voided checks were not properly accounted for in the accounting records and not all voided checks were retained. Four voided checks were deleted from the accounting records and only two voided checks were retained. None of the voided checks cleared the Municipality's checking account. We recommend that checks be properly voided in the accounting system and not deleted and that the original voided checks be retained by the Finance Officer.

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

March 22, 2016