

**MUNICIPALITY OF BLUNT**  
**INTERNAL CONTROL REVIEW**  
**May 23, 2016**

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427 SOUTH CHAPELLE  
C/O 500 EAST CAPITOL  
PIERRE SD 57501-5070  
(605) 773-3595

MARTIN L. GUINDON, CPA  
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 Blunt  
Blunt, South Dakota

We have made a study of selected elements of internal control of the Municipality of Blunt (Municipality) in effect at May 23, 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 May 23, 2016.

However, our study did disclose weaknesses in internal controls of the Municipality in effect at May 23, 2016 as discussed below:

- a. The Municipality has established several funds which do not have third party restrictions or specific revenue streams which would require a separate fund. We recommend the Municipality review the fund structure and report the funds without third party restrictions as a function of the General Fund.
- 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 fund cash balance reported to the governing board did not include the value of the certificates of deposit which approximated \$156,000 or approximately \$1,800 of summer recreation cash held in a separate checking account. We recommend the monthly financial report to the governing board include the value of all cash assets.
- d. The Finance Officer did not perform the proper monthly bank reconciliation for the accounts held by the Municipality. We recommend the Municipality prepare a proper monthly bank reconciliation.
- e. The IRS payroll withholding payments recorded in the cash disbursement journal in the months of June to November of 2015 in the total of \$2,618.30 were not paid until November, 2015 and IRS payments recorded in the cash disbursement journal from December, 2015 through March, 2016 totaling \$1,823.26 were not yet remitted through April, 2016. We recommend that the Municipality only record the disbursement in the month when the cash is disbursed from the bank account. We also recommend per IRS Topic 757 that payroll withholdings be submitted by the 15<sup>th</sup> of the following month.

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

May 23, 2016