

MUNICIPALITY OF BRUCE
INTERNAL CONTROL REVIEW
June 3, 2019

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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 Bruce
Bruce, South Dakota

We have made a study of selected elements of internal control of the Municipality of Bruce (Municipality) in effect at June 3, 2019. 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 June 3, 2019.

However, our study did disclose weaknesses in internal controls of the Municipality in effect at June 3, 2019 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. The 2018 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.
- c. The 2019 annual appropriations ordinance was not adopted in the format prescribed by SDCL 9-21-2 and the Municipal Accounting Manual. We recommend the appropriations ordinance be adopted as required by SDCL 9-21-2 and the Municipal Accounting Manual.
- d. The vouchers used by the Municipality had the following inadequacies:
 - 1. The vouchers did not contain a perjury statement to be signed by the claimant for personal services or travel as recommended by the Municipal Accounting Manual. In addition, there was no signature or other evidence to indicate that the finance officer had reviewed the voucher.
 - 2. The vouchers were not coded to the function to facilitate the proper approval by the governing board and for the proper posting to the cash disbursement journal and expenditure budget record.

We recommend that vouchers be properly prepared and verified as recommended by the Municipal Accounting Manual.

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

June 3, 2019