MUNICIPALITY OF BUFFALO GAP – CUSTER COUNTY

SPECIAL REVIEW

January 1, 2016 Through January 27, 2024

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

MUNICIPALITY OF BUFFALO GAP – CUSTER COUNTY
SPECIAL REVIEW

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RUSSELL A. OLSON
AUDITOR GENERAL

Governing Board
Municipality of Buffalo Gap
Buffalo Gap, South Dakota

Pursuant to an agreement with the governing board of the Municipality of Buffalo Gap we performed procedures for the purpose of determining the potential amount of inappropriate expenses incurred and potential misappropriation from the Municipality of Buffalo Gap during the period of January 1, 2016 through January 27, 2024, where possible.

These procedures did not constitute an audit performed in accordance with generally accepted government auditing standards and do not extend to, and we do not express an opinion on, any financial statements or reports of the Municipality of Buffalo Gap.

This report begins with an executive summary of our findings. Following the executive summary are additional sections with detailed information related to our findings and our recommendation.

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.

Sincerely,

Russell A. Olson

Russell A. Olson
Auditor General

May 22, 2026

MUNICIPALITY OF BUFFALO GAP SPECIAL REVIEW

I. Background/Predication

The South Dakota Department of Legislative Audit (DLA) informed the Municipality of Buffalo Gap (Municipality) that we would be conducting an Internal Control Review of the Municipality on January 19, 2024. An Internal Control Review is a special examination as defined by South Dakota Codified Law (SDCL) 4-11-4.1.

On January 22, 2024, the Finance Officer Heather Besco-Clyde (referenced as former Finance Officer in the remainder of this report) informed us that she had submitted her letter of resignation and would no longer be the Finance Officer for the Municipality.

After spending several weeks attempting to obtain and review documents provided by the Municipality's new Finance Officer, we were still having difficulties obtaining appropriate municipal accounting records and files and we were also having difficulties verifying amounts.

On February 20, 2024, after obtaining authorization from the Municipality, we requested that the Municipality's banking institution, First Interstate Bank, provide us with copies of bank statements for the Municipality.

We reviewed the bank statements received from First Interstate Bank, and we found that the Municipality was making numerous payments to credit card accounts that did not appear to be related to the Municipality.

Based upon the above predication, on June 3rd and 4th, 2024, we had a discussion with the Municipality's legal counsel and with the Custer County States Attorney's office to discuss our preliminary findings.

DLA was requested to conduct a special review of the transactions of the Municipality, including the Municipality's credit card account and any other questionable transactions.

II. Executive Summary

We conducted a review of the Municipality's banking records, credit card transactions, payroll transactions and other accounting records for the period January 2016 through January 2024. Our review included examination of relevant documents and records along with interviews of appropriate Municipal personnel.

Based on the procedures performed and interviews conducted during the special review, our significant findings are as follows:

1. The former Finance Officer did not deposit all municipal utility collections in the Municipality's checking account. The utility collections were inappropriately used to make purchases or transfers in the amount of $57,936.00, that were not approved by the Governing Board and were in most cases for unsupported and potentially inappropriate transactions. See Finding 1 for details.

2. The former Finance Officer made inappropriate payments to a Synchrony Amazon Store credit card account, not related to the Municipality of Buffalo Gap, from the Municipality's bank account in the amount of $26,394.50. See Finding 2 for details.

3. Unsupported and potentially inappropriate charges were made to the Municipality's credit card assigned to the former Finance Officer in the amount of $5,404.06. In addition, an unapproved, unsupported and potentially inappropriate charge, in the form of a transfer, was made to the Municipality's credit card in the amount of $6,510.00. See Finding 3 for details.

4. The former Finance Officer made inappropriate payments to credit card accounts, not related to the Municipality of Buffalo Gap, from the Municipality's bank account in the amount of $12,885.30. See Finding 4 for details.

5. The former Finance Officer received payroll payments more than authorized in the Governing Board minutes in the amount of $21,950.00. See Finding 5 for details.

III. Scope

The specific objectives of the special review were as follows:

1. Determine whether the municipal utility customer payments were properly receipted in the accounting records, deposited in the Municipality's checking account and used only for proper Municipality purchases approved by the Governing Board.

2. Determine whether expenses paid from the Municipality's bank account were appropriate Municipal expenses.

3. Determine whether charges to the Municipality's credit card were appropriate.

4. Determine whether the former Finance Officer was paid the amount authorized by the Municipality's Governing Board for employment and whether the amounts were properly documented and approved.

IV. Approach

To accomplish the objectives of the special review, we performed the following procedures:

1. Examined the Municipality's bank statements received from First Interstate Bank for the period January 1, 2016 through January 31, 2024.

2. Obtained and reviewed the Municipality's minutes for board meetings for the period January 1, 2016 through December 31, 2023.

3. Reviewed PayPal account transactions for the period February 9, 2019 through January 27, 2024.

4. Reviewed other credit card accounts transactions for period that the information was made available, generally the period of August 2018 through January 2024.

5. Obtained and examined the Municipality's payroll records and financial statements for the period January 1, 2018 through December 31, 2023.

6. Conducted interviews of various persons as necessary.

V. Findings

Based on the procedures performed, our significant findings are as follows:

FINDING 1

The former Finance Officer did not properly account for and deposit all municipal utility collections in the Municipality's checking account. The utility collections were inappropriately used to make purchases that were not approved by the Governing Board and were, in most cases, unsupported and for potentially inappropriate transactions. Following is a summary of the evidence and information that supports our finding:

1. In February of 2019, the Municipality offered the option for utility customers to pay their utility bills using PayPal (www.PayPal.me/buffalogap).

2. The Municipality did not have a proper record of the PayPal transactions. Through cooperation with the legal authorities, we were able to obtain the detailed transactional information directly from PayPal.

3. We reviewed the PayPal transactional information and determined that during the period from February 2019 through January 27, 2024, utility payments and other payments, in the amount of $68,612.69 were made through the use of PayPal. However, during this period only $10,676.69 of the utility collections were deposited in the Municipality's checking account.

4. We reviewed the PayPal transactional information and determined that in December 2019, February 2020 and March 2020 the former Finance Officer transferred a total of $3,900.00 to a bank account at the Black Hills Federal Credit Union. This account is not related to the Municipality.

5. We reviewed the PayPal transactional information for the period from February 9, 2019 through January 27, 2024 and noted 1,011 transactions totaling $54,036.00 (net of credits) charged to the Municipality's PayPal account which were unsupported and potentially inappropriate transactions.

6. We reviewed the Municipality's board meeting minutes and did not find any approval for the PayPal purchases and the purchases were not listed in the Governing Board approved listing of claims.

7. We have summarized the PayPal transactional data below:

Calendar Year	Utility Customer Collections (Net of Payment Fee)	Deposited to Municipality's Bank Account	Deposited to Bank Account Controlled by Former Finance Officer	Unapproved and Potentially Inappropriate Purchases (Net of Credits)
CY 2019	$ 4,391.56	$ (2,777.53)	$ (1,200.00)	$ (20.84)
CY 2020	11,389.48	(4,900.00)	(2,700.00)	(1,484.36)
CY 2021	14,100.71	0.00	0.00	(14,668.13)
CY 2022	20,659.72	0.00	0.00	(20,817.59)
CY 2023	16,326.35	0.00	0.00	(16,400.15)
CY 2024	1,744.87	(2,999.16)	0.00	(644.93)
Totals	$ 68,612.69	$ (10,676.69)	$ (3,900.00)	$ (54,036.00)

Total Collections per PayPal Data	$ 68,612.69
Verified as Properly Transferred to the Municipality's Bank Account	(10,676.69)
Collections Remaining After Transfers to Municipality	$ 57,936.00
Transferred to Bank Account NOT Related to the Municipality	**(3,900.00)**
Used for Purchases (net of credits) NOT Approved by Municipality and unsupported and potentially inappropriate transactions	**(54,036.00)**
Ending Balance	$ 0.00

FINDING 2

The former Finance Officer made inappropriate payments to a Synchrony Amazon Store credit card account, not related to the Municipality of Buffalo Gap, from the Municipality's bank account in the amount of $26,394.50. Following is a summary of the evidence and information that supports our finding:

1. We interviewed Municipal Officials and were told that the Municipality did not have a Synchrony Amazon Store credit card account to be used for Municipal purposes.

2. We reviewed the Municipality's bank statements obtained from First Interstate Bank for the period January 1, 2019 through January 31, 2024. We found forty-eight instances, totaling $26,394.50, where former Finance Officer made online payments from the Municipality's bank account for payments to a Synchrony Amazon Store credit card account not related to the Municipality.

3. The Municipality did not have a record of the Synchrony Amazon Store credit card account transactions as it was not a Municipal credit account. Through cooperation with the legal authorities, we were able to obtain the detailed transactional information directly from Synchrony.

4. We reviewed the Synchrony Amazon Store credit card account transactional information for the period from February 2, 2019 through December 26, 2023 and noted 604 transactions totaling $26,375.71 of purchases which were unsupported and potentially inappropriate transactions.

5. We reviewed Municipality's board meeting minutes and noted a total $4,863.62 listed in the approved bill listing in the minutes. We excluded two instances where it appears the amount listed in the minutes was carried over from the prior month.

6. We have summarized the Synchrony Amazon Store credit card account transactional data below:

Purchases, Interest Charges and Fee Charges:	
Total Potential Purchases That Appear To **NOT** Be Related to the Municipality	$ 26,375.71
Total Potential Purchases that MAY Be Related to the Municipality	5,569.04
NOTE: The amount of purchases approved in the governing board minutes (excluding duplicate listing) was $4,863.62.	
Total Interest Paid On Purchases	208.90
Total Fees Charged For Card Security	395.24
Grand Total Purchases, Interest Charges, and Fee Charges	**$ 32,548.89**
Payments and Credits:	
Total Payments from Non-Municipal Accounts	$ (4,403.72)
Total Payments from Municipal Account	(26,394.50)
Total Redemption and Statement Credits	(1,178.24)
Total Payments and Credits	**$(31,976.46)**
Remaining Balance as of December 26, 2023	$ 572.43

FINDING 3

Unsupported and potentially inappropriate charges were made to the Municipality's credit card assigned to the former Finance Officer in the amount of $5,404.06. In addition, an unapproved, unsupported, and potentially inappropriate charge, in the form of a transfer, was made to the Municipality's credit card in the amount of $6,510.00. Following is a summary of the evidence and information that supports our finding:

1. We interviewed Municipal Officials and were told that the Municipality did have credit cards to be used for Municipal purposes. The Municipal Officials informed us that it was their understanding that the Municipal credit cards were to be used for only

municipal purposes. The Municipality had four separate credit cards, assigned to different employees, for which the transactions all came in one statement.

2. The Municipality did not have a proper record or support for the credit card payments. Through cooperation with the legal authorities, we were able to obtain the detailed transactional information directly from the Chase credit card statement copies.

3. We reviewed the Municipality's Chase credit card statements and created the transactional data for the period from August 14, 2018 through January 22, 2024. We noted 76 transactions charged to the Municipality's credit card numbers assigned to the former Finance Officer for unsupported and potentially inappropriate charges. We classified the unsupported and potentially inappropriate transactions and summarized them as follows:

Type of Transaction	Number of Transactions	Amount of Transactions
AFLAC Coverage Charges	13	$ 384.75
Amazon.com Charges	2	72.93
AMZN Digital-Marketplace US Charges	17	1,111.75
APPLE.COM Charges	4	21.89
eBay Charges	4	1,164.68
EveryPlate Charges	4	226.84
Golden Corral Charges	1	44.02
Target.com Charges	29	2,258.41
WWW.Kohls.com Charges	1	112.80
ZAGG Inc. Charges	1	5.99
Total Unsupported and Potentially Inappropriate Charges	**76**	**$ 5,404.06**

4. We reviewed the Municipality's Chase credit card statements and noted one instance where the credit card associated with the former Finance Officer had a charge to the Municipality's credit card account for unapproved, unsupported, and potentially inappropriate balance transfer transaction in the amount of $6,200.00.

5. We reviewed the board meeting minutes of the Municipality and did not find any approval for the transfer of a balance to the Municipality's credit card account being approved by the Municipality's governing board.

6. We determined that all payments to the Chase credit card account were paid from the Municipality's bank account.

7. In addition to the Municipality having to pay for the balance transfer charge amount, Chase credit card company assessed transaction fee totaling $310.00. Payment for this additional fee was made from the Municipality's bank account.

8. A summary of the unapproved, unsupported, and potentially inappropriate balance transfer transaction and the transaction fee are as follows:

Transaction Description	Date of Transaction	Credit Card Assigned To	Dollar Amount
BALANCE TRANSFER TO xxxx	01/08/2019	HEATHER J	$ 6,200.00
TRANSACTION FEE HEATHER J	01/08/2019	HEATHER J	310.00
Total Unapproved, Unsupported and Potentially Inappropriate Transfer			**$ 6,510.00**

FINDING 4

The former Finance Officer made inappropriate payments to credit card accounts, not related to the Municipality of Buffalo Gap, from the Municipality's bank account in the amount of $12,885.30. Following is a summary of the evidence and information that supports our finding:

1. We interviewed Municipal Officials and were told that the Municipality did not have a Discover credit card account or a CITI credit card account to be used for Municipal purposes.

2. We reviewed the Municipality's bank statements obtained from First Interstate Bank. We found thirteen instances where the former Finance Officer made online payments (ACH withdrawals) from the Municipality's bank account for payments to credit card accounts not related to the Municipality.

3. The Municipality did not have a record of the Discover or CITI credit card account transactions as they were not Municipal credit accounts. Through cooperation with the legal authorities, we were able to obtain partial detailed transactional information directly from Discover and CITI.

4. A summary of the payments from the Municipality's bank account to credit card accounts not related to the Municipality from October 23, 2017 through December 31, 2023 follows:

   - 10 online payments (ACH withdrawals) from the Municipality's bank account totaling $9,027.29 were issued to pay a Discover credit card account not related to the Municipality.
   - 3 payments (ACH withdrawals) from the Municipality's bank account totaling $3,858.01 were issued to pay a CITI credit card account not related to the Municipality.

5. We reviewed the board meeting minutes of the Municipality and did not note any approval for a Discover or a CITI credit card account or for the approval of payments to a Discover or CITI credit card account for purchases.

FINDING 5

The former Finance Officer received payroll payments more than the authorized pay in the amount of $21,950.00. Following is a summary of the evidence and information that supports our finding:

1. During the period from January 1, 2021 through December 31, 2023, numerous payroll checks issued to the former Finance Officer did not agree with the salary authorized by the Municipality.

2. We reviewed the Municipality's board meeting minutes and determined the governing board authorized salary for calendar years 2021, 2022 and 2023 are shown below. This is taken directly from the published minutes of the Municipality.

   - **Calendar Year 2021** - January 4th 2021 Board Meeting - The following positions and salaries were discussed and set by unanimous vote: … Finance Officer-$600/month + $50/meeting or extra projects
   - **Calendar Year 2022** - January 6th, 2022 Board Meeting - The following positions and salaries were presented to the board and accepted at following rates: … Finance Officer-Heather Besco-Clyde ($650/month + $50/additional meeting),
   - **Calendar Year 2023** - January 9th, 2023 Board Meeting - The following positions and rates were reviewed and approved for 2023. Finance Officer raised to $800 per month/$50 per additional.

3. We compared the payroll checks issued to the former Finance Officer from the actual bank statements obtained from First Interstate Bank to the amounts shown in the Municipality's payroll records. We noted that the payroll records did not contain sufficient documentation or detail of the additional or "Add'l" wages, it simply contained a dollar amount in most cases.

4. We reviewed the Municipality's board meeting minutes and did not find any approval for any additional amounts added to former Finance Officer payroll checks.

5. A summary of the payroll payments more than authorized pay by calendar year follows:

	AUTHORIZED PER GOVERNING BOARD MINUTES			CALCULATED FROM PAYROLL CHECKS & PAYROLL RECORDS			
Date	Authorized Taxable Wage	Add'l Meeting Taxable Wage	Total Taxable Wage	Salary Taxable Wage	Add'l Meeting Taxable Wage	Total Taxable Wage	Overpayment of Salary
Calendar Year 2021 Total	**$ 7,200.00**	**$ 750.00**	**$ 7,950.00**	**$ 6,600.00**	**$ 8,550.00**	**$ 15,150.00**	**$ 7,200.00**
Calendar Year 2022 Total	**7,800.00**	**800.00**	**8,600.00**	**7,150.00**	**9,900.00**	**17,050.00**	**8,450.00**
Calendar Year 2023 Total	**9,600.00**	**850.00**	**10,450.00**	**8,650.00**	**8,100.00**	**16,750.00**	**6,300.00**
Grand Total CY 2021 to 2023	**$ 24,600.00**	**$ 2,400.00**	**$ 27,000.00**	**$ 22,400.00**	**$ 26,550.00**	**$ 48,950.00**	**$ 21,950.00**

6. The Governing Board held 48 meetings during 2021 to 2023. For the former Finance Officer to have received the additional meeting taxable wage amount she was paid, the Governing Board would have had 483 additional meetings or special projects.

VI. Summary of Findings

The following table provides a summary of the inappropriate or unsupported expenses charged to the Municipality of Buffalo Gap identified in the previous findings:

Total municipal utility collections not properly accounted for or deposited in the Municipality's bank account and used to make purchases that were not approved by the Governing Board and, in most cases, were unsupported and for potentially inappropriate transactions	$	57,936.00	Finding 1
Total unsupported and potentially inappropriate payments to a Synchrony Amazon Store credit card account not related to the Municipality		26,375.71	Finding 2
Total unsupported and potentially inappropriate charges made to the Municipality's credit card		11,914.06	Finding 3
Total unsupported and potentially inappropriate payments to credit card accounts not related to the Municipality		12,885.30	Finding 4
Total payroll payments more than authorized pay by the Governing Board		21,950.00	Finding 5
Grand Total	**$**	**131,061.07**	

VII. Recommendation

We recommend the Municipality of Buffalo Gap consult with legal counsel and consider options for the recovery of amounts identified in this report and the cost of our special review.