

MUNICIPALITY OF CARTHAGE

INTERNAL CONTROL REVIEW

June 7, 2018

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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 Carthage
Carthage, South Dakota

We have made a study of selected elements of internal control of the Municipality of Carthage (Municipality) in effect at June 7, 2018. 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 7, 2018.

However, our study did disclose weaknesses in internal controls of the Municipality in effect at June 7, 2018 as discussed below:

- a. An executive session was held without a motion or vote as required by SDCL 1-25-1 and 1-25-2. We recommend that executive or closed meetings be held only upon a majority vote of the members of such body present and voting as required by SDCL 1-25-1 and 1-25-2.

- b. The garbage operations and Sewer Fund subsidiary accounts receivable records were not reconciled to a general ledger control to ensure that receivable transactions were properly recorded and mathematically accurate. We recommend the accounts receivable subsidiary records be reconciled monthly to a general ledger control.
- c. The annual appropriation ordinance adopted by the Municipality did not include a budget, in the General Fund, for the garbage operation or the Sewer Fund as required by SDCL 9-21-2. We recommend the budget be adopted to include the General Fund garbage operation and the Sewer Fund as required by SDCL 9-21-2.
- d. As of December 31, 2017, the Municipality incurred expenditures in excess of the amounts provided for in the annual appropriation ordinance in violation of SDCL 9-21-9. We recommend that the Municipality not incur expenditures in excess of appropriations as required by SDCL 9-21-9.
- e. The following deficiencies were noted in the preparation of vouchers:
 - 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 did not contain the check number issued for the purchases.

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

- f. 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.

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 7, 2018