

MUNICIPALITY OF CLAREMONT

INTERNAL CONTROL REVIEW

February 21, 2023

MUNICIPALITY OF CLAREMONT
TABLE OF CONTENTS

	<u>Page</u>
Report on the Limited Study of Internal Control Performed in Accordance with South Dakota Codified Law 4-11-4.1.....	1



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

RUSSELL A. OLSON
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 Claremont
Claremont, South Dakota

We have made a study of selected elements of internal control of the Municipality of Claremont (Municipality) in effect at February 21, 2023. 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 February 21, 2023.

However, our study did disclose weaknesses in internal controls of the Municipality in effect at February 21, 2023 as discussed below:

a. The Municipality did not properly maintain the following necessary records:

1. Cash General Ledger by Fund
2. Cash Disbursement Journal
3. Revenue Budget Record
4. Expenditure Budget Record
5. Utility Accounts Receivable General Ledger

We recommend the Municipality properly establish and maintain the necessary accounting records. We have provided assistance to the Municipal Finance Officer to help establish these records in an Excel format.

- b. The 2020 annual financial report contained financial reporting errors resulting in inaccurate and incomplete information being presented. In addition, the 2019 and 2021 annual financial reports were not prepared. We recommend the annual financial reports be properly prepared. We provided assistance in regard to the preparation of the annual financial report.
- c. A monthly minimum Sewer Fund surcharge was imposed in 2019 and 2022 through separate revenue bond resolutions to retire two Clean Water Project Revenue Bonds. The bond resolutions require that the surcharge for the indebtedness be segregated from other revenues of the Municipality and be used only for the payment of the indebtedness. The collections have been recorded as part of the Sewer Fund operating income but have not been segregated in the accounting system for the retirement of the Sewer Loans. We recommend the Municipality compute the existing cash balances of the surcharge collections received for the 2019 and 2022 Clean Water Revenue Bonds and segregate the cash balances for operations and indebtedness payments in the Sewer Fund accounting records.
- d. The 2022 and 2023 annual appropriation ordinances were not adopted in the format prescribed by SDCL 9-21-2 and the Municipal Accounting Manual or published as required by SDCL 9-19-7. We recommend the appropriation ordinances be adopted and published as required.
- e. The vouchers did not contain a perjury statement to be signed by the claimant for personal services or travel as required by SDCL 4-9-4 and the vouchers did not contain a signature of the Finance Officer to verify that the goods and services received were proper expenditures of the Municipality. We recommend that vouchers for personal services and travel be signed under perjury by the claimant and be verified 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.



Russell A. Olson
Auditor General

February 21, 2023