

**MUNICIPALITY OF COLOME**  
**INTERNAL CONTROL REVIEW**  
**April 28, 2021**

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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 Colome  
Colome, South Dakota

We have made a study of selected elements of internal control of the Municipality of Colome (Municipality) in effect at April 28, 2021. 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 April 28, 2021.

However, our study did disclose weaknesses in internal controls of the Municipality in effect at April 28, 2021 as discussed below:

- a. The governing board has not provided surety bond coverage for the Finance Officer. SDCL 9-14-6.1 requires a bond equal to the amount of cash on hand but the coverage need not exceed \$150,000. The Municipality does not have any surety bond coverage but has had a cash balance exceeding \$150,000 during this internal control review period.

We recommend the Municipality purchase surety bond coverage of at least \$150,000 as required by SDCL 9-14-6.1.

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

- 1. Revenue Budget Record
- 2. Expenditure Budget Record
- 3. Water Deposit General Ledger and Subsidiary Records

We recommend the accounting records be properly and accurately maintained.

- c. Municipality did not properly support all vouchers as required by SDCL 9-23-1. SDCL 9-23-1 states that before any claim against any municipality for any property or services for which it is liable is allowed, an itemized invoice accompanied by a voucher verified by the appropriate municipal official that the services, other than those provided by municipal employees, or materials have been received.

We recommend that vouchers be properly prepared, supported an itemized invoice and verified as required by SDCL 9-23-1.

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.



Russel A. Olson  
Auditor General

April 28, 2021