

MUNICIPALITY OF CONDE
INTERNAL CONTROL REVIEW
April 28, 2020

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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 Conde
Conde, South Dakota

We have made a study of selected elements of internal control of the Municipality of Conde (Municipality) in effect at April 28, 2020. 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, 2020.

However, our study did disclose weaknesses in internal controls of the Municipality in effect at April 28, 2020 as discussed below:

- a. The governing board did not publish a complete list of employees' salaries to include the governing board members for 2019 with the proceedings of the first meeting of the year

as required by SDCL 6-1-10. We recommend the governing board publish a complete list of all employees' salaries with the proceedings of the first meeting of the year as required by SDCL 6-1-10.

- b. The 2017, 2018 and 2019 annual reports were not completed, published and filed with the Department of Legislative Audit as required by SDCL 9-22-21. We recommend the Municipality prepare, publish and file the annual financial reports in accordance with SDCL 9-22-21.
- c. A monthly minimum Sewer Fund surcharge and Water Fund surcharge was imposed starting in 2010 to retire State Revolving Fund construction loans. The collections have been recorded as part of the Sewer Fund and Water Fund operating income but have not been segregated in the accounting system. The debt resolutions require that the surcharge for the loans be segregated from other revenues of the Municipality and be used for the payment of the indebtedness. We recommend the Municipality compute the existing cash balance of the surcharge collections received since 2010 and segregate the cash balances for operations and debt repayment in the Sewer Fund and Water Fund accounting records.
- d. Sixteen checks were pre-signed by the board president prior to the checks being completed with the payee and amounts. We recommend no checks be signed prior to their completion.
- e. The Municipality did not properly maintain the following necessary records:
 - 1. General Ledger by Fund
 - 2. Revenue Budget Record
 - 3. Expenditure Budget Record
 - 4. Utility accounts receivable general ledger and corresponding records

We recommend the Municipality properly establish and maintain the necessary accounting records. We have provided assistance to the Finance Officer regarding the format of these records.

- f. The 2017 and 2018 annual financial reports contained financial reporting errors resulting in inaccurate and incomplete information being presented. We recommend the Municipality accurately complete the annual financial report. We have provided assistance to the Finance Officer regarding proper financial reporting.
- g. 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. We recommend that vouchers for personal services and travel be signed under perjury by the claimant.

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

April 28, 2020