

**MUNICIPALITY OF DANTE**  
**INTERNAL CONTROL REVIEW**  
**August 30, 2022**

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REPORT ON THE LIMITED STUDY OF INTERNAL CONTROL  
PERFORMED IN ACCORDANCE WITH SOUTH DAKOTA CODIFIED LAW 4-11-4.1

Governing Board  
Municipality of Dante  
Dante, South Dakota

We have made a study of selected elements of internal control of the Municipality of Dante (Municipality) in effect at August 30, 2022. 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 August 30, 2022.

However, our study did disclose weaknesses in internal controls of the Municipality in effect at August 30, 2022, as discussed below:

- a. The governing board has not provided sufficient 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 had a cash balance exceeding \$79,000 but the surety bond coverage for the Finance Officer was only \$500.00. We recommend the Municipality increase the Finance Officer's surety bond as required by SDCL 9-14-6.1. Since the date of this report, the Municipality has increased the surety bond coverage to \$75,000 for which we concur.
- b. The Municipality prepared monthly financial reports which were generated manually from the bank statement deposits and checks issued; however, the manual records and reports prepared were not completed to provide all of the detailed information as prescribed in the Municipal Accounting Manual as follows:
  1. Cash Receipts Journal
  2. Cash Disbursement Journal
  3. Revenue Budget Record
  4. Expenditure Budget Record

We recommend the Municipality properly establish and maintain the accounting records as prescribed in the Municipal Accounting Manual. We have provided sample copies of the municipal accounting records in an Excel format which could also be completed manually.

- c. The Municipality did not properly prepare or complete vouchers for the payment of expenditures as required by SDCL 9-23-1 which resulted in the following deficiencies:
  1. Vouchers were not prepared for Auditorium Fund expenditures and as a result were not formally approved and recorded in the minutes by name, purpose and amount as required by SDCL 9-18-1.
  2. The vouchers were not formally coded to the fund, function, and object to facilitate the proper approval by the governing board and for the proper posting to the cash disbursement journal and expenditure budget record.

We recommend the vouchers be properly prepared and verified as recommended by the Municipal Accounting Manual and SDCL 9-23-1.

- d. The Auditorium Fund checks contained only one signature. SDCL 9-23-3 states "no money shall be paid out of the treasury except upon the warrant of the mayor or president of the board of trustees, countersigned by the auditor or clerk". We recommend all municipal checks contain two signatures and be signed by the president of the board and countersigned by the finance officer or by specified Municipal Board members in the absence of the Board President or Finance Officer.

- e. The 2021 and 2022 annual appropriation ordinances were not properly adopted for governmental funds by department as required by SDCL 9-21-2. In addition, the General Fund means of finance only included the current levy and opt out tax levy and the Auditorium Fund was not included in the appropriation ordinance. We recommend the budget be properly adopted by department for all governmental funds as required by SDCL 9-21-2. We have provided a sample format of the appropriation ordinance to the Municipality.
  
- f. The governing board did not publish a complete list of employees' salaries with the proceedings of the first meeting of the year as required by SDCL 6-1-10. We recommend the first meeting of the year include a complete list of employees' salaries and paid benefits as required by SDCL 6-1-10 to also include additional maintenance salaries paid to board members.

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

August 30, 2022