

MUNICIPALITY OF MONROE
INTERNAL CONTROL REVIEW
August 31, 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 Monroe
Monroe, South Dakota

We have made a study of selected elements of internal control of the Municipality of Monroe (Municipality) in effect at August 31, 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 August 31, 2020.

However, our study did disclose weaknesses in internal controls of the Municipality in effect at August 31, 2020 as discussed below:

- a. The Municipality did not issue receipts as required by SDCL 9-22-3. We recommend the Municipality issue receipts for all cash collections as required by SDCL 9-22-3.

- b. The official minutes gave a detailed statement of all expenditures by name and amount but did not show the service rendered as required by SDCL 9-18-1. We recommend the detailed statement of expenditures in the minutes include the purpose for the expenditure as required by SDCL 9-18-1.
- c. 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 governing board publish a complete list of employees' salaries with the proceedings of the first meeting of the year as required by SDCL 6-1-10.
- d. The Finance Officer did not perform proper monthly bank reconciliations for the accounts held by the Municipality. We recommend the Municipality prepare a proper monthly bank reconciliation.
- e. The Municipality did not properly maintain the following necessary records:
 - 1. Cash Receipts Journal
 - 2. Cash Disbursement Journal
 - 3. Cash General Ledger by Fund
 - 4. Accounts receivable general ledger control
 - 5. Revenue Budget Record
 - 6. Expenditure Budget Record
 - 7. Individual Payroll Records

We recommend the Municipality properly establish and maintain the necessary accounting records.

- f. The 2019 annual financial report contained financial reporting errors resulting in inaccurate and incomplete information being presented. We recommend the Municipality accurately complete the annual financial report.
- 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 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

August 31, 2020