

MUNICIPALITY OF RAMONA
INTERNAL CONTROL REVIEW
August 6, 2018

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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 Ramona
Ramona, South Dakota

We have made a study of selected elements of internal control of the Municipality of Ramona (Municipality) in effect at August 6, 2018. 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 6, 2018.

However, our study did disclose weaknesses in internal controls of the Municipality in effect at August 6, 2018 as discussed below:

- a. The governing board did not provide 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 \$150,000 during the period of this review, but the surety bond coverage for the finance officer was only \$25,000. We recommend the Municipality increase the finance officer surety bond to \$150,000 as required by SDCL 9-14-6.1.

- b. Personal property inventories were not filed annually on the thirty-first day of December, or within ten days thereafter as required by SDCL 5-24-1. We recommend the Municipality annually perform personal property inventories as required by SDCL 5-24-1.
- c. The Municipality did not properly maintain the following necessary records:

- 1. Accounts receivable general ledger and corresponding records
- 2. Revenue Budget Record
- 3. Expenditure Budget Record

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

- d. Thirty-nine 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 issue receipts as required by SDCL 9-22-3. We recommend the Municipality issue receipts for all cash collections.
- f. 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.
- g. The Liquor Fund had five insufficient fund checks totaling \$530 which were still outstanding and dated from February 2018 through June 2018. The Finance Officer recorded the insufficient fund checks as expenses which took them out of the accountability of the Liquor Fund. We recommend the \$4,000 change fund include the insufficient fund checks until the disposition of the checks can be determined.
- h. The following deficiencies were noted in the preparation of vouchers:
 - 1. The vouchers did not contain a perjury statement to be signed by the claimant for personal services or travel as recommended by the Municipal Accounting Manual. In addition, there was no signature or other evidence to indicate that the finance officer had reviewed the voucher.
 - 2. The vouchers were not coded to the 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 that vouchers be properly prepared and verified as recommended by the Municipal Accounting Manual.

- i. The governing board had not authorized an amount for the liquor store operation video lottery clearing checking account. A formal reconciliation of the video lottery clearing cash balance was not made by the Municipality when the vending company performed

the video lottery ticket reconciliation. We recommend the Municipality establish a specific video lottery clearing account authorized balance and the Municipality reconcile the video lottery clearing account to the required balance twice a month after settling with the payments required to the State, vending company and the profits due to the Municipality.

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.

A handwritten signature in black ink, appearing to read "Martin L. Guindon". The signature is fluid and cursive, with a large initial "M" and "G".

Martin L Guindon, CPA
Auditor General

August 6, 2018