

MUNICIPALITY OF SOUTH SHORE

INTERNAL CONTROL REVIEW

July 29, 2021

MUNICIPALITY OF SOUTH SHORE
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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 South Shore
South Shore, South Dakota

We have made a study of selected elements of internal control of the Municipality of South Shore (Municipality) in effect at July 29, 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 July 29, 2021.

However, our study did disclose weaknesses in internal controls of the Municipality in effect at July 29, 2021 as discussed below:

- a. The 2020 annual financial report contained financial reporting errors resulting in inaccurate and incomplete information being presented to the users of the annual financial report. We recommend the Municipality accurately complete the annual financial report.
- b. 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 \$300,000 but the surety bond coverage for the Finance Officer was only \$100,000. We recommend the Municipality increase the Finance Officer's surety bond to \$150,000 as required by SDCL 9-14-6.1.
- c. The Municipality did not maintain a water deposits subsidiary record by name with a total for all deposits and did not segregate the balance of the water deposits from the operating cash of the Water Fund in the general ledger. We recommend the Municipality establish a water deposit subsidiary record by name and segregate the total balance for water deposits from the operating cash in the Water Fund general ledger.
- d. 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. We recommend that vouchers include a perjury statement for personal services and travel as recommended by the Municipal Accounting Manual.

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

July 29, 2021