

MUNICIPALITY OF TULARE
INTERNAL CONTROL REVIEW
February 28, 2017

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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 Tulare
Tulare, South Dakota

We have made a study of selected elements of internal control of the Municipality of Tulare (Municipality) in effect at February 28, 2017. 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 February 28, 2017.

However, our study did disclose weaknesses in internal controls of the Municipality in effect at February 28, 2017 as discussed below:

- a. The governing board did not publish a complete list of employees' salaries for 2016 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.

- b. The 2015 annual report was not presented to the governing board or published as required by SDCL 9-22-21. We recommend the Municipality present the annual report to the governing board at the first regular meeting in March and publish the annual financial report in accordance with SDCL 9-22-21.
- c. The Municipality did not adopt or publish an annual appropriation ordinance for 2016 or 2017 as required by SDCL 9-21-2. The approval of annual tax levy was adopted only by a board motion. SDCL 9-21-2 requires the annual appropriation ordinance and tax levy be adopted as an ordinance. We recommend the Municipality adopt and publish an annual appropriation ordinance as required by SDCL 9-21-2.
- d. 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.
- e. The Municipality did not properly maintain the following necessary records:
 - 1. Utility Deposit Record
 - 2. Revenue Budget Record
 - 3. Expenditure Budget Record

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

- f. The Municipality purchased approximately \$34,700 of water meters without advertising for competitive bids as required by SDCL 5-18A-14. We recommend any contract for the purchase of supplies or services that involves the expenditure of twenty-five thousand dollars or more be advertised competitive bids as required by SDCL 5-18A-14.
- g. The Municipality approved the construction of a new municipal shop on January 11, 2017. The Municipality did not comply with the requirements of SDCL 5-18A-5 for obtaining competitive sealed bids. The Municipality did not publish a public notice of the invitation for bids, bids were not opened publicly and the low bids for the demolition and building construction phase were not accepted as required by SDCL 5-18A-5. The Municipality did request informal bids (quotes). We recommend the Municipality comply with the competitive bidding requirements as detailed in SDCL Chapter 5-18A.

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.



Martin L Guindon, CPA
Auditor General

February 28, 2017