Legislative Audit Overview for the SD Investment Council

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AUDITOR GENERAL

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Legislative Audit's History and Responsibilities

- History
  - Created in 1943 as the Department of Audits and Accounts
    - Agency head title was Comptroller
    - Function was "examining" financial records
  - Agency head title changed to Auditor General in 1966
  - Agency renamed Department of Legislative Audit in 1974
    - Transition from examining records to performing engagements in accordance with professional standards
  - Six Auditor Generals in the State's history
  - Legislative Audit is a nonpartisan agency of the legislative branch
    - Auditor General appointed to eight-year term by joint legislative resolution
    - Executive Board of the Legislative Research Council directs Legislative Audit's activities
    - Legislative Audit is organizationally structured to meet independence requirements of professional standards
    - Auditor General is a member of the SD Board of Accountancy by statute

Legislative Audit's History and Responsibilities

- Mission
  - To provide services that continuously improve financial management and reporting thereby enhancing the accountability of government to its citizens
- Responsibilities – SDCL Chapters 4-2 and 4-11
  - Audits and other attestation engagements for State agencies and local governments
    - Financial and compliance audits of State agencies and local governments
    - Agreed-upon procedures engagements for State agencies and local governments
    - Internal control reviews of small municipalities
    - Other engagements related to allegations of fraud, noncompliance or abuse by public officials and employees
  - Prepare and maintain accounting manuals for counties, municipalities and schools
  - Technical assistance to State agencies and local governments
  - Review and approve annually over 400 audit reports of governments and certain nonprofits done by CPA firms

Legislative Audit's Responsibilities and Services Related to the SD Investment Council (SDIC)

- As required by SDCL 4-11-2 Legislative Audit performs an annual audit of the State in accordance with government auditing standards
  - This audit includes all activities of the SDIC
  - Two trust portfolios are major funds in the State's financial statements
  - The audit incorporates the annual audit of the South Dakota Retirement System (SDRS) which is done by a firm approved by Legislative Audit
- SDCL 4-5-35 makes Legislative Audit responsible for annual post-audit of investment transactions of the State and reporting to the SDIC and the Legislature
  - Legislative Audit performs annual audit of the cash flow and trust fund portfolios
  - Annual audit of the SDRS by CPA firm
- At SDIC's request Legislative Audit to perform quarterly agreed-upon procedures engagements
  - Provides monitoring of SDIC's internal controls and compliance for the Audit Committee
  - Provides additional evidence of benefit to Legislative Audit's risk assessment during annual audit of SDIC and the State's financial statements
  - Benefits the SDRS audit firm knowing that the SDIC is regularly monitoring its internal control system

Legislative Audit's Responsibilities and Services Related to the SD Investment Council (SDIC)

Item	FY 2026 Annual Audit	Agreed Upon Procedures (AUP)
Engagement letter	Signed by audit committee chair and SDIC management, typically in June	Signed by the audit committee chair and SDIC management, typically in November
Portfolios included	Cash Flow Fund and Trust Funds	Procedures developed by audit committee, typically includes Cash Flow Fund, Trust Funds and SDRS
Field work dates	Legislative Audit team worked with the SDIC management and performed some of the audit work in Pierre and some in Sioux Falls	Varies based on when records become available and Legislative Audit audit team availability
Report issuance date	October 2, 2026	Issued quarterly for first three quarters of each fiscal year
Management representation letter	Signed by SDIC management	Separate letters signed by audit committee chair and SDIC management
Letter to governance	Sent to audit committee chair at conclusion of audit	None

Legislative Audit's Adherence to Professional Standards

- Legislative Audit follows all applicable professional auditing standards
  - Government Auditing Standards issued by the U.S Government Accountability Office
  - U.S. Generally Accepted Auditing Standards issued by the American Institute of Certified Public Accountants
  - Additional requirements of the federal Single Audit Act and Uniform Guidance
- General professional standards require technical competence
  - Legislative Audit's 2026 audit team, including audit managers, have combined 117 years audit experience
    - 4 Certified Public Accountants (CPA)
    - 1 Certified Information Systems Auditor (CISA)
    - 3 Certified Investments and Derivatives Auditors (CIDA)
  - Legislative Audit professional staff receive at least 80 hours of continuing professional education every two years

Legislative Audit's Adherence to Professional Standards

- Legislative Audit is peer reviewed every three years as required by professional standards
  - Peer review program is administered by the National State Auditor's Association
    - Peer review team includes members from across the country and federal government representative
    - Team members are experienced supervisory government auditors
    - Rigorous and thorough review of Legislative Audit quality control system
  - Most recent peer review, for 2026, was just completed in August
    - Legislative Audit received pass report without deficiencies, the best report possible
    - No written findings for further consideration

Legislative Audit's Commitment to the SDIC

- Legislative Audit will provide services to the SDIC with a highly qualified professional team
- SDIC will receive an independent and objective assessment of internal controls over financial reporting and compliance with laws and regulations and financial statement opinions
- Legislative Audit will candidly discuss audit-related issues with the SDIC Audit Committee and provide other services as professional standards allow
- Questions?