



South Dakota
Department of
Social Services

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March 23, 2026

Autumn Gregory, Executive Director
Early Childhood Connections
3645 Sturgis Rd, Suite 110
Rapid City, SD 57702

Dear Ms. Gregory:

The Department has reviewed finding 2024-001 from the Single Audit for Early Childhood Connections for the fiscal year ended December 31, 2024. The Department considers ECC's corrective action as proposed in the management response portion of the Single Audit Report and the following correspondence dated December 15, 2025, as having taken the necessary steps to correct the deficiencies as fully implemented.

Sincerely,

A handwritten signature in blue ink, appearing to read 'S. Rasmussen', with a long horizontal flourish extending to the right.

Steve Rasmussen
Chief Financial Officer

cc: DSS EA; State Board of Internal Controls



427 SOUTH CHAPELLE
C/O 500 EAST CAPITOL
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RUSSELL A. OLSON
AUDITOR GENERAL

Date: November 20, 2025

To: SD Department of Social Services
SD State Board of Internal Control

Re: Audit Report on – Early Childhood Connections
As of and for the year ended December 31, 2024
By: Ketel Thorstenson, LLP, CPAs

We have accepted the final report on the audit of the Schedule of Expenditures of Federal Awards for the above-named entity conducted under the requirements of OMB Uniform Guidance.

OMB Uniform Guidance requires the State of South Dakota, as a direct recipient of federal assistance who provides federal awards to a subrecipient, to:

1. Ensure that subrecipients expending \$750,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Uniform Guidance for that fiscal year.
2. Ensure that the subrecipient takes timely and appropriate corrective action when the audit report discloses instances of noncompliance with federal laws and regulations.
3. Consider whether this subrecipient audit necessitates adjustment of your program records.

The accompanying audit report on the Schedule of Expenditures of Federal Awards is submitted to you to help fulfill these requirements.

The report does identify audit finding(s) and/or questioned costs pertaining to federal award programs administered by your agency/department that are required to be reported in accordance with OMB Uniform Guidance, §200.516(a). See page 12 for reference to the finding with the finding located at page 13.

Please contact us if you have any questions.

Sincerely,

Russell A. Olson
Auditor General

RAO:sld

Enclosure

EARLY CHILDHOOD CONNECTIONS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2024

EARLY CHILDHOOD CONNECTIONS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Early Childhood Connections
Rapid City, South Dakota

Report on the Audit of the Schedule of Expenditures of Federal Awards

Opinion

We have audited the cash basis schedule of expenditures of federal awards for the Child Care and Development Block Grant of Early Childhood Connections (the Organization) for the year ended December 31, 2024, and the related notes (the schedule).

In our opinion, the accompanying cash basis schedule of expenditures of federal awards presents fairly, in all material respects, the expenditures of federal awards for the Child Care and Development Block Grant of Early Childhood Connections for the year ended December 31, 2024, in accordance with the cash basis of accounting.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) this is specific to program specific audit for-profit entity. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 1 of the schedule, which describes the basis of accounting. The schedule is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Schedule

Management is responsible for the preparation and fair presentation of the schedule in accordance with the cash basis of accounting described in Note 1, and for determining that the cash basis of accounting is an acceptable basis of presentation of the schedule in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the schedule.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the schedule, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the schedule.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedule.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2025 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



KETEL THORSTENSON, LLP
Certified Public Accountants

September 24, 2025

**EARLY CHILDHOOD CONNECTIONS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Identifying Number	Expenditures
US Department of Health and Human Services:				
<i>Child Care and Development Fund Cluster</i>				
Child Care and Development Block Grant (Note 3)	93.575	South Dakota Department of Social Services	24-0843-605	\$ 289,324
Child Care and Development Block Grant (Note 3)	93.575	South Dakota Department of Social Services	25-0826-605	423,354
Child Care and Development Block Grant	93.575	South Dakota Department of Social Services	24-0843-601	27,480
Child Care and Development Block Grant	93.575	South Dakota State University	3TC116	89,610
<i>Total Child Care and Development Fund Cluster</i>				829,768
Total US Department of Health and Human Services				829,768
Total Federal Financial Assistance				\$ 829,768

Note 1: The schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Early Childhood Connections under programs of the federal government for the year ended December 31, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Early Childhood Connections, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Early Childhood Connections.

Expenditures reported on the Schedule are reported on the cash basis of accounting and, accordingly, represent the total cash expended for the program. The Schedule does not include transactions that might be included using the accrual basis of accounting as contemplated by generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 2: Early Childhood Connections did not elect to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

Note 3: This amount includes revenues received for services provided during the year ended December 31, 2024. Some federal reimbursements for this grant are based on approved rates for services provided rather than reimbursement for specific expenditures.

OTHER REPORTS



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Early Childhood Connections
Rapid City, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the cash basis schedule of expenditures of federal awards of Early Childhood Connections (the Organization), and the related notes (the schedule), and have issued our report thereon dated September 24, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the schedule, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the schedule, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's schedule will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's schedule is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the schedule. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



KETEL THORSTENSON, LLP
Certified Public Accountants

September 24, 2025



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR A FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE

To the Board of Directors
Early Childhood Connections
Rapid City, South Dakota

Report on Compliance for Child Care and Development Block Grant

Opinion on Compliance for Child Care and Development Block Grant

We have audited Early Childhood Connections' (the Organization) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on its Child Care and Development Block Grant for the year ended December 31, 2024.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Child Care and Development Block Grant for the year ended December 31, 2024.

Basis for Opinion on Child Care and Development Block Grant

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the Child Care and Development Block Grant. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Child Care and Development Block Grant.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of the federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Company's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings as 2024-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in dark ink that reads "Ketel Thorstenson, LLP". The signature is written in a cursive, flowing style.

KETEL THORSTENSON, LLP
Certified Public Accountants

September 24, 2025

EARLY CHILDHOOD CONNECTIONS

SCHEDULE OF FINDINGS DECEMBER 31, 2024

A. SUMMARY OF AUDIT RESULTS

1. The Independent Auditor's Report expresses an unmodified opinion on the cash basis schedule of expenditures of federal awards (the schedule) of Early Childhood Connections (the Organization).
2. No material weaknesses were disclosed during the audit of the schedule and none are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the schedule of the Organization were disclosed during the audit.
4. A significant deficiency was disclosed during the audit of the federal award program and is reported in the Independent Auditor's Report on Compliance for a Federal Program and Report on Internal Control over Compliance.
5. The auditor's report on compliance for the federal award program for the Organization expresses an unmodified opinion on the Child Care and Development Block Grant.
6. Audit findings relative to the federal award program for the Organization are reported in Part C of this schedule.
7. The program tested was the Child Care and Development Block Grant - ALN #93.575.

EARLY CHILDHOOD CONNECTIONS

SCHEDULE OF FINDINGS DECEMBER 31, 2024

B. FINDINGS – Audit of the Schedule of Expenditures of Federal Awards

None.

C. FINDINGS AND QUESTIONED COSTS – Compliance Audit

Significant Deficiency

Finding 2024-001: Written Uniform Guidance Policies

Federal Program Affected: Child Care and Development Block Grant (ALN #93.575).

Compliance Requirement: Activities allowed/Allowable Costs, Cash Management, Procurement, Suspension and Debarment.

Questioned Costs: None.

Condition and Cause: The Organization does not have written internal control processes which are mandatory to meet the requirements under Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Criteria and Effect: Uniform Guidance specifically requires entities to maintain written policies for activities allowed/allowable costs, cash management, and procurement, suspension and debarment. The finding did not result in any noncompliance with the program; however, a lack of policies may increase the likelihood of noncompliance.

Repeat Finding from Prior Year: 2023-001: Written Uniform Guidance Policies.

Recommendation: We recommend the Organization adopt written policies that are compliant with Uniform Guidance.

Response/Corrective Action Plan: The Organization agrees with the above finding. See Corrective Action Plan.

MANAGEMENT RESPONSE



EARLY CHILDHOOD CONNECTIONS

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2024**

Early Childhood Connections respectfully submits the following summary schedule of prior audit findings from the December 31, 2023 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the 2023 Schedule of Findings.

Finding 2023-001: Written Uniform Guidance Policies

Status: The Organization made efforts to implement written Uniform Guidance policies.

Initial Year Report: 2023

Reason for Recurrence and Corrective Action Plan: The Organization did not have policies in place during the year of the compliance audit. The Organization has actively worked to create these policies in 2025.



EARLY CHILDHOOD CONNECTIONS

**CORRECTIVE ACTION PLAN
DECEMBER 31, 2024**

Early Childhood Connections respectfully submits the following corrective action plan regarding findings from the December 31, 2024 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the 2024 Schedule of Findings.

Finding 2024-001: Written Uniform Guidance Policies

Responsible Individuals: Autumn Gregory, Executive Director

Corrective Action Plan: The Organization developed and approved written Uniform Guidance policies as of January 2025.

Anticipated Completion Date: December 31, 2025