STATE OF SOUTH DAKOTA
DEPARTMENT OF LEGISLATIVE AUDIT

427 SOUTH CHAPELLE
C/O 500 EAST CAPITOL
PIERRE SD 57501-5070
(605)773-3595

MARTIN L. GUINDON, CPA
AUDITOR GENERAL

Date: August 6, 2018

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

Re: Audit Report on – Disability Rights South Dakota
d/b/a South Dakota Advocacy Services
As of and for the year ended September 30, 2017
By: Donna Denker & Associates, CPAs

We have accepted the final report on the audit of 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 is submitted to you to help fulfill these requirements.

The report does identify audit findings 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 19. Accordingly, you are required to issue a management decision on the audit findings within six months after receipt of this audit report (OMB Uniform Guidance §200.331(d)(3)).

Please contact us if you have any questions.

Sincerely,

Martin L. Guindon, CPA
Auditor General

MLG:sld

Enclosure

DISABILITY RIGHTS SOUTH DAKOTA
d/b/a SOUTH DAKOTA ADVOCACY SERVICES
PIERRE, SOUTH DAKOTA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2017

FEDERAL EIN 46-0339207

Donna Denker & Associates
certified public accountants
Dependable, Innovative Solutions

DISABILITY RIGHTS SOUTH DAKOTA
d/b/a SOUTH DAKOTA ADVOCACY SERVICES
PIERRE, SOUTH DAKOTA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2017

FEDERAL EIN 46-0339207

DISABILITY RIGHTS SOUTH DAKOTA
d/b/a SOUTH DAKOTA ADVOCACY SERVICES

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DonnaDenker&Associates
certified public accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Disability Rights South Dakota
d/b/a South Dakota Advocacy Services
Pierre, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of Disability Rights South Dakota d/b/a South Dakota Advocacy Services (the Organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Disability Rights South Dakota d/b/a South Dakota Advocacy Services as of September 30. 2017, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2018, on our consideration of Disability Rights South Dakota d/b/a South Dakota Advocacy Services' 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 Disability Rights South Dakota d/b/a South Dakota Advocacy Services' internal control over financial reporting and compliance.

DONNA DENKER & ASSOCIATES
Certified Public Accountants

June 26, 2018

DISABILITY RIGHTS SOUTH DAKOTA d/b/a SOUTH DAKOTA ADVOCACY SERVICES

STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2017

ASSETS

Current Assets:		
Cash and Cash Equivalents	$	143,375
Grants Receivable		162,095
Prepaid Expenses		21,669
Total Current Assets		**327,139**
Noncurrent Assets:		
Property and Equipment, Net of Accumulated Depreciation		5,741
Total Noncurrent Assets		**5,741**
TOTAL ASSETS	**$**	**332,880**

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable	$	7,186
Payroll Liabilities		13,275
Accrued Vacation		42,744
Deferred Revenue		32,898
Total Liabilities		**96,103**
Net Assets		
Investment in Capital Assets		5,741
Temporarily Restricted		81,999
Board Designated Restriction		5,186
Unrestricted		143,851
Total Net Assets		**236,777**
TOTAL LIABILITIES AND NET ASSETS	**$**	**332,880**

The accompanying notes are an integral part of this financial statement.

DISABILITY RIGHTS SOUTH DAKOTA d/b/a SOUTH DAKOTA ADVOCACY SERVICES

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Grant Revenue	$ -	$ 1,347,515	$ 1,347,515
In-Kind Revenue	-	80,379	80,379
Program Revenue	475	40,274	40,749
Other Income	1,812	447	2,259
Total Revenues	**2,287**	**1,468,615**	**1,470,902**
NET ASSETS RELEASED FROM RESTRICTIONS			
Purpose Restriction Satisfied	1,470,961	(1,470,961)	-
TOTAL REVENUES AND RECLASSIFICATIONS	**1,473,248**	**(2,346)**	**1,470,902**
EXPENSES			
Program	1,065,161	-	1,065,161
Management and General	406,339	-	406,339
Total Expenses	**1,471,500**	**-**	**1,471,500**
Change in Net Assets	**1,748**	**(2,346)**	**(598)**
Net Assets - Beginning	29,389	179,656	209,045
Prior Period Adjustment	123,641	(95,311)	28,330
Net Assets - Restated - Beginning	153,030	84,345	237,375
Net Assets - Ending	**$ 154,778**	**$ 81,999**	**$ 236,777**

The accompanying notes are an integral part of this financial statement.

DISABILITY RIGHTS SOUTH DAKOTA d/b/a SOUTH DAKOTA ADVOCACY SERVICES

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Program Services	Management and General	Total Expenses
Salaries	$ 527,615	$ 284,100	$ 811,715
Employee Benefits	150,133	80,841	230,974
Travel	83,237	14,689	97,926
Rent	59,962	10,582	70,544
Contractual Services	49,688	-	49,688
Telephone	22,857	4,034	26,891
Dues and Subscriptions	21,882	3,862	25,744
Board	21,887	-	21,887
Supplies	13,829	2,441	16,270
Maintenance	7,968	1,406	9,374
Training	5,793	1,022	6,815
Insurance	5,705	1,007	6,712
Miscellaneous	3,703	654	4,357
Postage	3,116	550	3,666
Equipment	2,840	501	3,341
Depreciation	2,734	483	3,217
Outreach/Training Materials	943	167	1,110
Other Program	890	-	890
In-Kind Match	80,379	-	80,379
Total Expenses	**$ 1,065,161**	**$ 406,339**	**$ 1,471,500**

The accompanying notes are an integral part of this financial statement.

DISABILITY RIGHTS SOUTH DAKOTA d/b/a SOUTH DAKOTA ADVOCACY SERVICES

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Contributors and Grants		1,279,655
Cash Paid to Vendors		(365,401)
Cash Paid to Employees		(1,037,369)
Net Cash Provided by Operating Activities		**(123,115)**
Net Decrease in Cash		**(123,115)**
Cash and Cash Equivalents, Beginning of Year		266,490
Cash and Cash Equivalents, End of Year	**$**	**143,375**
Reconciliation of Changes in Net Assets to Net Cash Flows from Operating Activities		
Change in Net Assets	**$**	**(598)**
Non-Cash Adjustment:		
Depreciation		3,217
Changes in Operating Assets and Liabilities:		
Change in Grants Receivable		(125,834)
Change in Accounts Receivable		3,058
Change in Prepaid Expense		(19,437)
Change in Accounts Payable		(749)
Change in Accrued Liabilities		13,275
Change in Accrued Vacation and Sick Leave		(11,013)
Change in Deferred Revenue		14,966
Net Cash Provided by Operating Activities	**$**	**(123,115)**

The accompanying notes are an integral part of this financial statement.

DISABILITY RIGHTS SOUTH DAKOTA d/b/a SOUTH DAKOTA ADVOCACY SERVICES

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

1. Summary of Significant Accounting Policies

a. Nature of Activities

Disability Rights South Dakota d/b/a South Dakota Advocacy Services (the Organization) is an independent private (not part of the state government or any state service provider), not-for-profit corporation established in the state of South Dakota to provide services to qualified individuals in accordance with the following federal statutes:

PADD and PIP: Developmental Disabilities Assistance and Bill of Rights Act of 2000; PL 106-402
PAIMI: Protection and Advocacy for Individuals with Mental Illness Act of 1986; PL 99-319, PL 100-509
CAP and PAIR: Rehabilitation Act of 1973, as amended; PL 102-569(1992), PL 103-73(1993)
PABSS: See 1150 Social Security Act as amended; PL 106-170
PAAT: Assistive Technology Act of 1998; PL 105-394
PATBI: Public Health Service Act, Section 1252; PL 104-166
PAVA: Title II, Subtitle D Part 5 Section 291 of the Help America Vote Act; PL 107-252

In addition, South Dakota Advocacy Services enters into contracts and receives grants from various public and private sources to provide particular assistance to specific client groups who are eligible for services under the terms of the contract or the grant.

The Organization is dependent on grant revenue from government programs. The Organization's financial status would be impaired if the programs or funding were reduced.

b. Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

c. Basis of Presentation

The Organization reports information regarding its financial position and activities according to four classes of net assets: net investment in capital assets, unrestricted net assets, temporarily restricted net assets, board designated restriction and permanently restricted net assets. The Organization currently has no permanently restricted net assets.

d. Cash and Cash Equivalents

For financial statement purposes, the Organization considers all cash and other highly liquid investments with an original maturity of three months or less to be cash equivalents.

e. Property and Equipment

Property and equipment are capitalized at cost. Donated property and equipment are stated at fair market value at the date of the donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

1. Summary of Significant Accounting Policies (Continued)

e. Property and Equipment (Continued)

The Organization capitalizes all property and equipment with cost or donated value of more than $500 and a useful life of more than one year. Depreciation is computed over the estimated service lives of the respective assets on a straight-line basis for all property used in operations. The estimated service lives of property and equipment are as follows:

	Estimated Useful Life
Office Equipment	5-7 years
Leasehold Improvements	5-15 years

f. Contributions, Grants and Revenue Recognition

Grant and contract revenue recognition is dependent upon specific terms within each agreement. Substantially all grants and contracts are cost reimbursement agreements, whereby revenue is recognized to the extent of allowable expenditures related to each grant or contract.

All contributions, to include grants deemed to be contributions, are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor/grantor restrictions.

Contributions that are restricted by the donor/grantor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increased in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Management believes all related grant and contract receivables are collectible and no allowance for doubtful accounts is necessary. Federal and state grant programs are subject to audit by the grantors or their representatives that could lead to request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Presently, the Organization has no such request pending, and in the opinion of management, any such amounts would not be considered material.

The Organization records in-kind contributions for the Partners in Policy Making grant. Contributed services are recognized at fair value of the services. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses.

g. Allocation of Expenses

The costs of providing various program and support activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Administrative expenses are allocated to each program based on percentage of time spent by each individual.

h. Federal Income Tax

The Organization is a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from income tax. The Organization is not liable for income taxes if it operates within the confines of its exempt status. In addition, the Organization has been determined not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

1. Summary of Significant Accounting Policies (Concluded)

i. Advertising

Advertising costs are expensed as incurred. The Organization incurred no advertising expenses for the year ended September 30, 2017.

j. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements. Actual results could differ from those estimates.

k. Liquidity

Assets and liabilities are presented in the order of liquidity in the statement of financial position. Any further restrictions are disclosed in the notes to the financial statements.

l. Subsequent Events

Significant subsequent events have been assessed through June 26, 2018, the date which the financial statements were available to be issued.

m. Emerging Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* which supersedes FASB ASC Topic 840, *Leases (Topic 840)* and provides principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a finance purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term greater than twelve months regardless of classification. If the available accounting election is made, leases with a term of twelve months or less can be accounted for similar to existing guidance for operating leases. The standard is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the impact this standard will have on the financial statements.

In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which is intended to provide more useful information to financial statement users. Changes include: 1) presenting only two classes of net assets (with and without donor restrictions), 2) no longer requiring a reconciliation with the indirect method when choosing to utilize the direct method of cash flows, 3) reporting investment return net of expenses with no additional disclosure of expense amounts, and 4) eliminating the option to release donor-imposed restrictions of long-lived assets over the estimated useful life of the asset acquired. In addition, enhanced disclosures are required for board designated and donor restricted net assets, the entity's liquidity and how that liquidity is managed, expenses by both natural and functional classification, the allocation methods among program and support functions, and underwater endowment funds (which will now be classified as net assets with donor restrictions). The standard is effective for fiscal years beginning after December 15, 2017. The Organization is currently evaluating the impact this standard will have on the financial statements.

2. Deposits

At times throughout the year, the Organization may maintain bank accounts in excess of Federal Deposit Insurance Corporation (FDIC) limits. The Organization has not experienced any losses related to this risk and does not expect any losses in the future.

The Organization maintains cash balances in banks and money market accounts at investment firms. The bank balances are insured by the Federal Deposit Insurance Corporation. As of September 30, 2017, the uninsured portion maintained in money market accounts was $97,567.

3. Grants and Contracts Receivable

Accounts receivable are considered by management to be fully collectible and accordingly no allowance for doubtful accounts is considered necessary. Grants and contracts receivable consists of the following at September 30, 2017:

PADD Grant	$	42,639
PAIMI Grant		50,879
PAIR Grant		30,985
PABSS Grant		10,500
PATBI Grant		3,600
PAVA Grant		6,000
PIP Grant		17,492
Total Grants Receivable	**$**	**162,095**

4. Property and Equipment

Property and equipment at September 30, 2017, consisted of the following:

	Balance 09/30/16	Additions	Deletions	Balance 09/30/17
Property and Equipment				
Leasehold Improvements	$ 16,081	$ -	$ 1,603	$ 14,478
Equipment	101,703	-	16,240	85,463
Total Property and Equipment	117,784	-	17,843	99,941
Less Accumulated Depreciation				
Leasehold Improvements	15,142	3,093	1,603	$ 16,632
Equipment	93,684	124	16,240	77,568
Total Accumulated Depreciation	108,826	3,217	17,843	94,200
Total Property and Equipment, Net	**$ 8,958**	**$ (3,217)**	**$ -**	**$ 5,741**

5. Accrued Vacation

Beginning at the end of the first full month of employment and each subsequent month, all regular full-time employees are given annual/vacation leave based on years of employment with the Organization. Employees resigning with proper notice or released for reasons other than dismissed for cause are entitled to annual/vacation pay for unused vacation leave accrued at their current hourly rate of pay but not to exceed 50% of the maximum hours allowable based on years of services as outlined below.

All regular full-time employees are entitled to:

Years of Service	Monthly Hours Accrued	Maximum Paid at Termination
0-3 Years	8 Hours for Each Month of Work	108 Hours
4-10 Years	13.33 Hours for Each Month of Work	120 Hours
11+ Years	16.67 Hours for Each Month of Work	150 Hours

During the year, the Organization implemented a new sick leave policy and sick leave is no longer paid out at termination. No amounts for sick leave are accrued in the financial statements.

6. Leases

The Organization is leasing the Pierre office space under a five - one year lease agreement beginning October 1, 2016. The lease is paid in an annual advance payment, due in October of $24,200. During the fiscal year, the Organization paid $24,200 for this lease.

The Organization is leasing the Rapid City office space under a three year lease beginning October 1, 2014. The lease payment are based on a monthly installments or an annual lease amount which increases over the course of the lease. For the fiscal year, the annual payment was $11,088.

The Organization is leasing the Sioux Falls office space under a five year lease beginning October 1, 2013. Monthly payments are $1,431 for a total of $17,172 per year or if rent is paid in advance the total annual rent is $16,235. The Organization is also required to make a monthly "triple net" payment to cover the costs of taxes insurance and maintenance. This amount is subject to change at any time. The triple net payments for the fiscal year were $565.33 per month. During the fiscal year, the Organization paid $23,019 for this lease.

The Organization leased the Yankton office space under a three year lease beginning October 1, 2014. Monthly payments are $970 for a total of $11,640 per year or if rent is paid in advance the total annual rent is $11,000. During the fiscal year, the Organization paid $11,000 for this lease. This lease was terminated on September 30, 2017.

Subsequent to year end, the Organization renewed the Rapid City office lease. The new lease is a three year term with an annual payment of $10,772. The Organization negotiated an advance payment of $21,600 for the three years which was paid in October, 2017.

6. Leases (Continued)

The following is a schedule of future minimum lease payments including the $21,600 paid in fiscal year 2018 for the Rapid City office:

Year Ending September 30		Amount
2018	$	62,035
2019		24,200
2020		24,200
2021		24,200
Total Lease Payments	**$**	**134,635**

7. Line of Credit

The Organization has a line of credit with a local bank for $250,000. The line of credit renews annually and has an interest rate of 5.5%. There was no activity during the year and there was no outstanding balance as of September 30, 2017.

8. Deferred Revenue

Deferred revenue consists of the following at September 30, 2017:

CAP Grant	$	29,595
PAAT Grant		3,303
Total Deferred Revenue	**$**	**32,898**

9. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following purpose restrictions for the year ended September 30, 2017:

PADD Program Income	$	22,114
PAIMI Program Income		54,945
PAIR Program Income		12
PATBI Program Income		4,928
Total Temporarily Restricted Net Assets	**$**	**81,999**

10. Pension Plan

The Organization sponsors a defined contribution retirement plan covering those employees who meet certain eligibility requirements such as age, term of employment, etc. The employer's matching contributions are equal to five percent of each employee's compensation. The Organization's expense for such contributions was **$39,509** for the year ended September 30, 2017.

11. Economic Dependence

A material part of the Organization's operation is dependent on federal funding passed through the State of South Dakota, the loss of which could have a material adverse effect on the organization. For the year ended September 30, 2017, approximately $1,388,765 (92.6%) of total revenues were attributable to federal funding.

12. Prior Period Adjustment

During the year ended September 30, 2017, an adjustment to beginning net assets was required in order to correct an accounting error related to the reporting of the prior year net assets, grants receivable and deferred revenue. As a result, the September 30, 2016 temporarily restricted net assets were decreased by $95,311, unrestricted net assets were increased by $123,641 for an increase in net assets of $28,330. In addition, grants receivable were increased from zero to $36,262 and deferred revenue was increased by $7,932 for a total deferred revenue of $17,932.

SINGLE AUDIT SECTION

DonnaDenker&Associates
certified public accountants

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

Board of Directors
Disability Rights South Dakota
d/b/a South Dakota Advocacy Services
Pierre, South Dakota

We have audited, in accordance with 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 financial statements of the Disability Rights South Dakota d/b/a South Dakota Advocacy Services (the Organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, 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 entity's financial statements 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Part B Finding 2017-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are 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 determination of financial statement amounts. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Part B Finding 2017-001 and Part C Finding 2017-002.

Disability Rights South Dakota d/b/a South Dakota Advocacy Services' Response to Findings

The Organization's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 of 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.

DONNA DENKER & ASSOCIATES
Certified Public Accountants

June 26, 2018

DonnaDenker&Associates
certified public accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Disability Rights South Dakota
d/b/a South Dakota Advocacy Services
Pierre, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the Disability Rights South Dakota d/b/a South Dakota Advocacy Services' (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2017. The Organization's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Basis for Qualified Opinion on the Major Federal Programs

As described in the accompanying schedule of findings and questions costs, the Organization did not comply with requirements regarding CFDA #84.240 Protection and Advocacy of Individual Rights and CFDA #93.138 Protection and Advocacy for Individuals with Mental Illness as described in finding number 2017-001 - Internal Control/Segregation of Duties and CFDA #84.240 Protection and Advocacy of Individual Rights as described in finding number 2017-002 - Program Income for the year ended September 30, 2017.

Qualified Opinion on the Major Federal Programs

In our opinion, except for the noncompliance described in the "Basis for Qualified Opinion" paragraph, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs for the year ended September 30, 2017.

Other Matters

The Organization's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

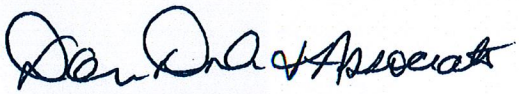
Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Part B Finding 2017-001 and Part C Finding 2017-002 we consider to be significant deficiencies.

The Organization's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the 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.



DONNA DENKER & ASSOCIATES
Certified Public Accountants

June 26, 2018

DISABILITY RIGHTS SOUTH DAKOTA D/B/A SOUTH DAKOTA ADVOCACY SERVICES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

A. Summary of Audit Results

Financial Statements

1. The auditor's report expresses an unqualified opinion on the financial statements of Disability Rights South Dakota d/b/a South Dakota Advocacy Services (the Organization).

2. A significant deficiency disclosed during the audit of the financial statements is reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial statements Performed in Accordance with *Government Auditing Standards*. No material weaknesses were disclosed.

3. Noncompliance material to the financial statements of the Organization was disclosed during the audit.

Federal Awards

4. Significant deficiencies disclosed during the audit of the major federal award program are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance. No material weaknesses were disclosed.

5. The auditor's report on compliance for the major federal award programs for the Organization expresses a qualified opinion on the major federal programs.

6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in Part C of this schedule.

7. The programs tested as a major program were:

Major Programs	CFDA #
U.S. Department of Health and Human Services	
Direct Funding	
Protection and Advocacy of Individual Rights	84.240
Passed Through South Dakota Department of Human Services - SD Council on Developmental Disabilities:	
Protection and Advocacy for Individuals with Mental Illness	93.138

8. The threshold for distinguishing Type A programs was $750,000.

9. The Organization was not considered a low risk auditee under the criteria established in the Uniform Guidance.

DISABILITY RIGHTS SOUTH DAKOTA D/B/A SOUTH DAKOTA ADVOCACY SERVICES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

B. FINDINGS – FINANCIAL STATEMENT AUDIT

Significant Deficiency

2017-001 FINDING: Internal Control/Segregation of Duties

Criteria: The policies and procedures manual requires the approval of the Executive Director and Finance Director on all purchases. The manual also requires two signatures on all checks.

Condition: During testing we noted no documented approval for four items selected for testing. Of those items, we did note the Executive Director's signature on the check. We also noted one check with only one signature.

Context/Sampling: Purchase documentation for four of sixty invoices selected for testing did not have the proper approval in compliance with policies. There was only one signature on one of sixty checks selected for testing. The samples used appear statistically valid.

Questioned Costs: None noted.

Cause: There is not a consistent review of purchase approvals prior to check preparation and signing. The employee mailing checks is not verifying all checks contain two signatures. Due to turnover and training new staff during the year, the internal controls were not consistently implemented.

Effect: Lack of proper approval could result in unauthorized purchases.

Identification of Prior Audit Finding: This finding is not a repeat of a finding in the immediate prior audit.

Recommendation: We recommend all processes be followed to ensure proper internal control. Check signers should be verifying all approvals are documented prior to signing and the individual mailing payment checks should ensure all checks have two signatures.

View of Responsible Officials: See management's response in the corrective action plan.

C. FINDINGS AND QUESTIONED COSTS – MAJOR AWARD PROGRAM AUDIT

Finding number 2017-001 listed in Part B relates to the major federal programs CFDA #84.240 Protection and Advocacy of Individual Rights and CFDA #93.138 Protection and Advocacy for Individuals with Mental Illness. The finding related to the other compliance requirement.

Significant Deficiency

2017-002 FINDING: Program Income

Federal Program Identification: CFDA #84.240 Protection and Advocacy of Individual Rights

Criteria: The Organization's grant documents require the grantee to account for program income in accordance with the provisions of the Uniform Guidance. Grantees must use program income only as an addition to the federal award. To the extent program income funds are available, the grantee must disburse those funds before requesting additional federal funds.

DISABILITY RIGHTS SOUTH DAKOTA D/B/A SOUTH DAKOTA ADVOCACY SERVICES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

C. FINDINGS AND QUESTIONED COSTS – MAJOR AWARD PROGRAM AUDIT (Continued)

2017-002 FINDING: Program Income (Continued)

Condition: Program income for the PAIR grant was not properly identified during the year. After year end, the program income was identified and subsequent draws were reduced by the amount of program income received during the fiscal year.

Context/Sampling: Federal draws were not reduced by $3,644 until after the audit period. This was not a statistical sample.

Questioned Costs: None noted.

Cause: Due to turnover and training new staff during the year, the program income was not timely identified.

Effect: Federal funds were drawn before program income was used for program expenditures.

Identification of Prior Audit Finding: This finding is a repeat of finding 2016-001.

Recommendation: The Organization has implemented controls and received training related to program income and cash management. We recommend continued vigilance regarding the reporting of program income.

View of Responsible Officials: See management's response in the corrective action plan.

DISABILITY RIGHTS SOUTH DAKOTA d/b/a SOUTH DAKOTA ADVOCACY SERVICES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	CFDA #	Pass-Through Identifying Number	Expenditures
U.S. Department of Education			
Direct Funding:			
Rehabilitation Services - Client Assistance Program	84.161		$ 106,388
Program of Protection and Advocacy of Individual Rights	84.240		168,178
U.S. Department of Health and Human Services			
Direct Funding:			
ACL Assistive Technology State Grants for Protection and Advocacy	93.843		38,711
Indirect Funding:			
Passed Through South Dakota Department of Human Services:			
Developmental Disabilities Basic Support and Advocacy Grants	93.630	1701SDPADD	343,530
Passed Through South Dakota Department of Human Services - SD Council on Developmental Disabilities:			
Developmental Disabilities Basic Support and Advocacy Grants	93.630	9191-607-608-17	116,455
Total Developmental Disabilities Basic Support and Advocacy Grants			459,985
Passed Through South Dakota Department of Human Services:			
Traumatic Brain Injury Protection and Advocacy	93.873	1701SDPATB	19,644
Voting Access for Individuals with Disabilities - Grants for Protection and Advocacy	93.618	1703SDVOTP	58,114
Passed Through South Dakota Department of Human Services - SD Council on Developmental Disabilities:			
Protection and Advocacy for Individuals with Mental Illness	93.138	3X98SM004697-17S2	403,282
Social Security Administration			
Direct Funding:			
Social Security State Grants for Work Incentives Assistance to Disabled Beneficiaries	96.009		93,213
Total Federal Expenditures			**$ 1,347,515**

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

DISABILITY RIGHTS SOUTH DAKOTA d/b/a SOUTH DAKOTA ADVOCACY SERVICES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2017

(1) Basis of Accounting

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Disability Rights South Dakota d/b/a South Dakota Advocacy Services (the Organization) under programs of the federal government for the year ended September 30, 2017. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position or changes in net position of the Organization.

(2) Summary of Significant Accounting Policies

The schedule of expenditures of federal awards is presented using the accrual basis of accounting. 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.

(3) Indirect Cost Rates

The Organization has elected not use to use the 10% de minimis rate allowed under the Uniform Guidance.

Disability Rights South Dakota

Protection and Advocacy System for South Dakota

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
September 30, 2017

Disability Rights South Dakota d/b/a/ South Dakota Advocacy Services respectfully submits the following summary schedule of prior audit findings from the September 30, 2016 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the 2016 Schedule of Findings.

Finding 2016-001: Program Income

Status: This finding is repeated in the current year as 2017-001. Corrections were made during the current year and the finding has been reduced from a material weakness to a significant deficiency.

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Fax (605) 224-5125 • drsd@drsdlaw.org • www.drsdlaw.org

Funded in part by the US Department of Health and Human Services, the US Department of Education and Social Security Administration

Disability Rights South Dakota

Protection and Advocacy System for South Dakota

CORRECTIVE ACTION PLAN

Disability Rights South Dakota, dba South Dakota Advocacy Services, respectfully submits the following correction action plan for the year ended September 30, 2017.

Name and address of independent public account firm:

Donna Denker & Associates
521 Kansas City Street
Rapid City, SD 57702

FINDINGS AND QUESTIONED COSTS—FINANCIAL STATEMENTS AUDIT

2017-001 Internal Control/Segregation of Duties

CORRECTIVE ACTION PLANNED/TAKEN: The Director of Finance and Administration (DFA) will review all checks and voucher packets for approval and signatures prior to mailing. DFA will initial in the lower right corner of the voucher packet if all is in order. In the event approval and/or signature are missing the voucher packet will be returned to a signer for correction. The entire voucher packet will then be handed to either the Administrative Assistant, Executive Assistant, or Fiscal Assistant for further review, none of whom are authorized to sign checks. That individual will also review for approval and dual signatures and will initial in the lower right corner of the voucher packet if all is in order. Again, in the event approval and/or signature are missing the voucher packet will be returned to a signer for correction. Following the second review, the voucher packets will be returned to the DFA for proper filing and the checks will be prepared for mailing by the individual that completed the second review.

ANTICIPATED COMPLETION DATE: This plan will be implemented immediately and is effective for the fiscal year end September 30, 2018.

PERSON RESPONSIBLE: The Director of Finance and Administration will be responsible for this corrective action.

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

CFDA #84.20 Protection and Advocacy of Individual Rights
CFDA #93.138 Protection and Advocacy for Individuals with Mental Illness

2017-001 Internal Control/Segregation of Duties

CORRECTIVE ACTION PLANNED/TAKEN: The Director of Finance and Administration (DFA) will review all checks and voucher packets for approval and signatures prior to mailing. DFA will initial in the lower right corner of the voucher packet if all is in order. In the event approval

and/or signature are missing the voucher packet will be returned to a signer for correction. The entire voucher packet will then be handed to either the Administrative Assistant, Executive Assistant, or Fiscal Assistant for further review, none of whom are authorized to sign checks. That individual will also review for approval and dual signatures and will initial in the lower right corner of the voucher packet if all is in order. Again, in the event approval and/or signature are missing the voucher packet will be returned to a signer for correction. Following the second review, the voucher packets will be returned to the DFA for proper filing and the checks will be prepared for mailing by the individual that completed the second review.

ANTICIPATED COMPLETION DATE: This plan will be implemented immediately and is effective for the fiscal year end September 30, 2018.

PERSON RESPONSIBLE: The Director of Finance and Administration will be responsible for this corrective action.

CFDA #84.20 Protection and Advocacy of Individual Rights

2017-002 Finding: Program Income

CORRECTIVE ACTION PLANNED/TAKEN: In July, 2018, the Director of Finance and Administration (DFA) as well as the Fiscal Assistant (FA) will attend the Fiscal Conference sponsored by NDRN. Although an agenda is not available at this time, program income is generally a topic that is discussed.

In addition, fiscal staff will take advantage of additional training via webinar regarding program income and management of federal grant funds if/when they become available.

The decision has also been made to do away with the program income holding accounts for those Federal grants that require program income be spent prior to any additional grant drawdowns. When program income is received it will be deposited directly into the general operating checking account, a copy of the check will be given to the FA and the amount will be deducted from the next fund draw for that grant. The copy of the check will be attached to fund draw packet and returned to the DFA for proper accounting and filing.

ANTICIPATED COMPLETION DATE: This plan will be implemented and is effective for the fiscal year end September 30, 2018.

PERSON RESPONSIBLE: The Director of Finance and Administration will be responsible for this correction action.

Respectfully submitted,

Timothy E. Neyhart
Executive Director