



SOUTH DAKOTA
DEPARTMENT
OF PUBLIC SAFETY

prevention — protection — enforcement

East River Legal Services
Lea Wroblewski
335 North Main Avenue, Suite 200
Sioux Falls, SD 57104

June 10, 2022

Dear Ms. Wroblewski:

The Department of Public Safety has received your Audit Report for the audit year of 2021. That Audit Report included Findings related to the Crime Victim Assistance Grant administered through our department. Federal regulation requires that we issue a management decision within six months of acceptance of the audit report.

Finding 2021-003: Procurement, Suspension and Debarment - Material Weakness:

- 1) ERLS written procurement policy does not include all the required elements as outlined in the Uniform Guidance.
- 2) ERLS did not verify a vendor with a covered transaction over the \$25,000 threshold was not suspended or debarred prior to entering into the transaction.

Finding 2021-004: Cash Management and Matching – Material Weakness:

- 1) The review concluded that ERLS currently has one person preparing and submitting the cash draw requests and reporting the matching costs being claimed. There is no secondary review process in place.

Finding 2021-005: Reporting – Material Weakness:

- 2) The review identified that due to a lapse in oversight of the internal control process, the required annual report was not filed within a reasonable time after the date of grant completion.
- 3) The annual report was not completed and submitted for grant award #2021-1441-00040 until it was requested during the audit.

It is notable that your corrective action plan indicates East River Legal Services is aware of these issues. As part of the ongoing resolutions, ERLS management will 1) update their procurement plan and policies to include verifying vendors ensures all Uniform Guidance required elements are included in accordance with 2 CFR 200 2) implement a process where the Staff Accountant prepares cash draws with an independent review by the Chief Financial Officer and 3) ensure the review of internal control procedures to ensure annual reports are submitted in a timely manner.

The corrective action plan notes completion dates effective during May and April 2022. SDVS requests copies of board minutes that address the audit findings, approval of updated policies and procedures, as well as copies of the board approved policies as soon as they are available.

Sincerely,

Cora Olson

Cora Olson
Victims' Services Program Director
South Dakota Department of Public Safety

CC: Leah Ries, DPS



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RUSSELL A. OLSON
AUDITOR GENERAL

Date: May 19, 2022

To: SD Department of Public Safety
SD State Board of Internal Control

Re: Audit Report on – East River Legal Services Corporation
As of and for the year ended December 31, 2021
By: Eide Bailly, LLP, 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 is required to be reported in accordance with OMB Uniform Guidance, §200.516(a). See page 24. Accordingly, you are required to issue a management decision on the audit finding 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,

Russell A. Olson
Auditor General

RAO:sld

Enclosure



Financial Statements
December 31, 2021

East River Legal Services Corporation
(With Comparative Totals for 2020)

East River Legal Services Corporation

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December 31, 2021 with comparative totals for December 31, 2020

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Independent Auditor's Report

The Board of Directors
East River Legal Services Corporation
Sioux Falls, South Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of East River Legal Services Corporation (a non-profit corporation), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of East River Legal Services Corporation as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of East River Legal Services Corporation 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about East River Legal Services Corporation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 GAAS and *Government Auditing Standards* 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 financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, 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 financial statements.
- 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 East River Legal Services Corporation'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about East River Legal Services Corporation's ability to continue as a going concern for a reasonable period of time.

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.

Report on Summarized Comparative Information

We have previously audited the 2020 financial statements of East River Legal Services Corporation, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 27, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying statements of support, revenue and expenses, and changes in net assets for Legal Services Corporation Funds and the schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is 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 schedule of expenditures of federal awards 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 April 28, 2022 on our consideration of East River Legal Services Corporation'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 solely 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 the effectiveness of East River Legal Services Corporation's 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 East River Legal Services Corporation's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name of the firm.

Sioux Falls, South Dakota
April 28, 2022

East River Legal Services Corporation

Statements of Financial Position

December 31, 2021 with Comparative Totals as of December 31, 2020

	2021	2020
Assets		
Current Assets		
Cash	\$ 68,969	\$ 162,811
Restricted cash	20,000	-
Client escrow funds	1,200	1,200
Accounts receivable	2,015	2,635
Grants and contracts receivable	223,093	189,518
Prepaid expenses	30,311	23,004
Total current assets	345,588	379,168
Property and Equipment		
Leasehold improvements	44,649	39,864
Office and computer equipment	166,879	132,930
Furniture and fixtures	105,229	41,388
Law library	7,361	7,361
	324,118	221,543
Less accumulated depreciation	(146,603)	(106,325)
Total property and equipment	177,515	115,218
Total Assets	\$ 523,103	\$ 494,386
Liabilities and Net Assets		
Current Liabilities		
Note payable - current portion	\$ -	\$ 51,002
Accounts payable	5,098	23,680
Client trust deposits	1,200	1,200
Accrued vacation and payroll taxes	59,905	47,442
Deferred revenue	11,917	-
Refundable advance	148,555	207,000
Total current liabilities	226,675	330,324
Net Assets		
Without donor restrictions		
Undesignated	98,131	24,088
Invested in property and equipment	110,030	65,998
Total net assets without donor restrictions	208,161	90,086
With donor restrictions		
Legal Services Corporation, purpose-restricted	782	8,797
Legal Services Corporation, property and equipment	67,485	49,220
Funds other than Legal Services Corporation, purpose-restricted	20,000	15,959
Total net assets with donor restrictions	88,267	73,976
Total net assets	296,428	164,062
Total Liabilities and Net Assets	\$ 523,103	\$ 494,386

East River Legal Services Corporation

Statements of Activities

Year Ended December 31, 2021 with Comparative Totals for the Year Ended December 31, 2020

	Net Assets Without Donor Restrictions	Net Assets with Donor Restrictions			2021 Total	2020 Total
		Legal Services Corporation	Funds other than Legal Services Corporation	Total		
Revenues, Gains, and Other Support						
Grants and contracts	\$ 231,053	\$ 492,433	\$ 978,826	\$ 1,471,259	\$ 1,702,312	\$ 1,185,676
Contribution in the form of Paycheck Protection Program (PPP) loan forgiveness	-	-	-	-	-	131,600
Contributions	84,939	-	-	-	84,939	78,984
Interest income	1	-	-	-	1	3
In kind attorney services	54,673	-	-	-	54,673	39,143
Net assets released from restrictions - satisfaction of program restrictions	1,456,968	(482,183)	(974,785)	(1,456,968)	-	-
Total revenues, gains, and other support	1,827,634	10,250	4,041	14,291	1,841,925	1,435,406
Expenses						
Program services	1,364,068	-	-	-	1,364,068	1,054,680
Management and general	310,799	-	-	-	310,799	240,520
Fundraising and development	34,692	-	-	-	34,692	15,562
Total expenses	1,709,559	-	-	-	1,709,559	1,310,762
Changes in Net Assets	118,075	10,250	4,041	14,291	132,366	124,644
Net Assets, Beginning	90,086	58,017	15,959	73,976	164,062	39,418
Net Assets, Ending	\$ 208,161	\$ 68,267	\$ 20,000	\$ 88,267	\$ 296,428	\$ 164,062

East River Legal Services Corporation

Statements of Functional Expenses

Year Ended December 31, 2021 with Comparative Totals for the Year Ended December 31, 2020

	Program Services	Management and General	Fundraising and Development	2021	2020
Personnel Expenses					
Salaries - lawyers	\$ 422,133	\$ 77,605	\$ 17,540	\$ 517,278	\$ 382,996
Salaries - paralegals	104,352	111	177	104,640	79,912
Salaries - other	328,158	110,468	10,560	449,186	346,013
Employee benefits	141,977	60,326	5,486	207,789	158,539
Total personnel expenses	<u>996,620</u>	<u>248,510</u>	<u>33,763</u>	<u>1,278,893</u>	<u>967,460</u>
Other Expenses					
Space and occupancy	75,981	19,132	-	95,113	78,794
Office supplies	27,014	1,466	-	28,480	15,825
Travel	50,418	792	-	51,210	16,694
Telephone and internet	5,606	1,420	-	7,026	5,911
Audit	-	22,425	-	22,425	16,900
Library	6,815	-	-	6,815	4,491
Training	20,179	450	-	20,629	7,831
Insurance	7,461	-	-	7,461	7,166
Advertising	16,236	-	-	16,236	4,177
Depreciation	33,773	8,554	-	42,327	39,417
Contract services to program	6,948	2,296	-	9,244	41,594
Dues and fees	12,594	-	-	12,594	5,439
Accounting contract services	-	3,140	-	3,140	11,059
Technology	39,807	-	-	39,807	36,028
Consulting	1,338	-	-	1,338	2,509
In kind attorney services	54,673	-	-	54,673	39,143
Equipment rental	4,797	1,215	-	6,012	4,716
Other	3,808	1,399	929	6,136	5,608
Total other expenses	<u>367,448</u>	<u>62,289</u>	<u>929</u>	<u>430,666</u>	<u>343,302</u>
Total expenses	<u>\$ 1,364,068</u>	<u>\$ 310,799</u>	<u>\$ 34,692</u>	<u>\$ 1,709,559</u>	<u>\$ 1,310,762</u>

East River Legal Services Corporation

Statements of Cash Flows

Year Ended December 31, 2021 with Comparative Totals for the Year Ended December 31, 2020

	2021	2020
Operating Activities		
Change in net assets	\$ 132,366	\$ 124,644
Adjustments to reconcile change in net assets to cash from operating activities		
Depreciation	42,327	39,417
Contribution in the form of PPP loan forgiveness	-	(131,600)
Change in assets and liabilities		
Accounts receivable	620	(2,635)
Grants and contracts receivable	(33,575)	(71,045)
Prepaid expenses	(7,307)	(2,668)
Accounts payable	(2,627)	(958)
Accrued vacation and payroll taxes	12,463	15,806
Deferred revenue	11,917	-
Refundable advance	(58,445)	207,000
Proceeds from PPP loan	-	131,600
Net Cash from Operating Activities	97,739	309,561
Investing Activities		
Purchase of property and equipment	(120,579)	(53,299)
Financing Activities		
Repayments under line of credit	-	(23,500)
Principal payments on note payable	(51,002)	(74,618)
Net Cash used for Financing Activities	(51,002)	(98,118)
Net Change in Cash and Restricted Cash	(73,842)	158,144
Beginning Cash and Restricted Cash	162,811	4,667
Ending Cash and Restricted Cash	\$ 88,969	\$ 162,811
Cash	\$ 68,969	\$ 162,811
Restricted Cash	20,000	-
Total Cash and Restricted Cash	\$ 88,969	\$ 162,811
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for Interest	\$ 575	\$ 2,764
Supplemental Disclosure of Non-cash Investing Activity		
Accounts payable for property and equipment	\$ -	\$ 15,955

Note 1 - Nature of Activities and Summary of Significant Accounting Policies**Nature of Activities**

East River Legal Services Corporation (the Organization) is a nonprofit corporation organized for the purpose of providing free legal assistance in civil proceedings or matters to financially eligible low-income persons in eastern South Dakota. The Organization is funded primarily through grants from Legal Services Corporation (LSC), a nonprofit corporation established by Congress to administer a nationwide legal assistance program. The Organization also receives a substantial amount through grants from the South Dakota State Department of Social Services for victims of crime. A significant reduction in the level support, if this were to occur, would have a significant effect on the Organization's programs and activities.

Comparative Financial Information

The statements of activities and functional expenses include certain prior year summarized comparative information in total, but not by net asset class nor expenses by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Grants and Contracts Receivables

Grants and contracts receivable consist primarily of amounts due from governmental and private entities. Contract receivables was \$58,723 as of December 31, 2021. Contract receivables was \$7,095 at January 1, 2021.

Property and Equipment

Property and equipment additions over \$1,000 are recorded at cost, or if donated, at fair value on the date of donation. Property acquired with LSC funds are considered to be owned by the Organization while used in the program or in future authorized programs. However, LSC retains a reversionary interest in these assets as well as the right to determine the use of any proceeds from the sale of such assets. Property acquired with LSC funds is classified as net assets with donor restrictions and reclassified as net asset without donor restriction in amounts equal to related depreciation. Property acquired with other funds is generally classified as net assets without donor restrictions.

Depreciation of property is computed on a straight-line basis over the following estimated useful lives, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term:

Leasehold improvements	3 years
Office and computer equipment	3-5 years
Furniture and fixtures	5-10 years
Law library	5-20 years

Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Net Assets

The Organization classifies its net assets, revenue and expenses, and gains and losses based on the existence or absence of donor-imposed restrictions on contributions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of management and the Board of Directors.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

The Organization receives restricted federal funds, grants and contract revenue to provide legal assistance to individuals determined to be eligible in accordance with donor restrictions. Management believes restrictions have been met when eligible services have been provided. Accordingly, the funds are released from restriction at that time.

Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position, which totaled \$148,555 as of December 31, 2021. The Organization received cost reimbursable grants of approximately \$251,000 have not been recognized at December 31, 2021 because qualifying expenditures have not yet been incurred. In accordance with LSC regulations, the Organization may use unspent funds in future periods as long as expenses incurred are in compliance with the specified terms of the LSC grant, as defined. Funds remaining unexpended at the end of an accounting period are recorded as LSC net assets with donor restrictions, unless the funds have exceeded the LSC net asset carryover limitations and a waiver of the excess funds have not yet been granted (See Note 5). LSC may terminate the agreement if the Organization is in violation of the applicable federal laws relating to the proper use of federal funds with respect to the LSC grant, when convicted of, or a judgement has entered against the Organization. In addition, if the Organization elects to terminate its LSC grant activities, all unexpended funds are to be returned to LSC.

Restricted Cash

Restricted cash are grant funds received to be used for a specific purpose stated within the grant agreement.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and grants and contracts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies supportive of the Organization's mission.

Donated Services

Valuation of donated services is determined based on the lower of the attorney declared hourly rate or an average fair market rate for the services provided. The Organization recognized in kind attorney services of \$54,673 for the PAI and VOCA programs for the year ended December 31, 2021.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and employee benefits, as well as space and occupancy, office supplies, depreciation, and other. These expenses are allocated on the basis of estimates of time and effort.

Income Taxes

The Organization is organized as a South Dakota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Organization had no unrelated business income from the year ended December 31, 2021.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Subsequent Events

The Organization has evaluated subsequent events through April 28, 2022, the date which these financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash	\$	68,969
Accounts receivable		2,015
Grants and contracts receivable		<u>223,093</u>
	<u>\$</u>	<u>294,077</u>

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization prepares an annual budget to manage liquidity and determine general expenditures over the next twelve months.

The Organization maintains a \$125,000 line of credit (Note 8). As of December 31, 2021, the \$125,000 remained available. Funds received and recorded as refundable advance as of December 31, 2021, contain requirements for the funds to be used in a particular manner in a future period under grant and contract terms.

Note 3 - Funding Sources

Funding for the year ended December 31, 2021 consisted of the following:

Grants and contracts without donor restrictions	
South Dakota Commission on Equal Access to Our Courts	\$ 65,000
Emergency Rental Assistance 2 Program - South Dakota Housing Development Authority	95,445
Older Americans - State of South Dakota	44,808
Technology service contracts	<u>25,800</u>
Total grants and contracts without donor restrictions	<u>231,053</u>
Grants and contracts with donor restrictions	
Victims of Crime Act Grant (VOCA)	894,404
Legal Services Corporation	492,433
Bush Foundation grant	58,445
Wells Fargo Bank N.A. Grant	20,000
Family Violence Prevention Services Act	<u>5,977</u>
Total grants and contracts with donor restrictions	<u>1,471,259</u>
Total grants and contracts revenue	<u><u>\$ 1,702,312</u></u>

Note 4 - Property and Equipment by Programs

Property and equipment are allocated to programs and management and general as follows:

	Cost	Accumulated Depreciation
LSC	\$ 109,680	\$ (42,195)
Other programs	192,556	(90,148)
Management and general	<u>21,882</u>	<u>(14,260)</u>
	<u><u>\$ 324,118</u></u>	<u><u>\$ (146,603)</u></u>

Depreciation expense is allocated to programs and management and general as follows:

LSC	\$ 17,570
Other programs	16,203
Management and general	<u>8,554</u>
	<u><u>\$ 42,327</u></u>

Note 5 - Carryover of Net Assets

Under LSC regulations, the Organization is permitted to carryover LSC net assets, excluding property, equal to 10% of total LSC annualized support of \$487,433.

Net assets as of December 31, 2021, consist of the following:

LSC basic field grant and special grants, less property and equipment of \$67,485 in 2021	<u>\$ 782</u>
Net assets not subject to carryover limitations	
Funds other than LSC - purpose restricted	20,000
Undesignated	98,131
Invested in property and equipment	<u>177,515</u>
Total net assets not subject to carryover limitations	<u>295,646</u>
Total net assets	<u><u>\$ 296,428</u></u>

Note 6 - Private Attorney Involvement

The private attorney involvement (PAI) program provides for the Organization to expend funds for legal services on behalf of persons who qualify for legal assistance but do not have access to the Organization's attorneys. Such funds are distributed to the person's attorney as costs are incurred for each particular case.

PAI costs and allocated expenses for the year ended December 31, 2021 were paid with LSC funds and non-LSC funds as follows:

PAI costs and allocated expenses	
Paid with LSC funds	\$ 18,555
In kind attorney services	<u>47,681</u>
	<u><u>\$ 66,236</u></u>

PAI allocations by line item are as follows:

Personnel expenses	
Salaries - other	\$ 12,522
Employee benefits	<u>2,788</u>
Total personnel expenses	<u>15,310</u>
Other expenses	
In kind attorney services	47,681
Space and occupancy	1,214
Audit	434
Telephone	82
Office supplies	219
Advertising	97
Library	74
Insurance	86
Dues and fees	40
Accounting contract services	50
Technology	470
Other	<u>27</u>
Total other expenses	<u>50,474</u>
Total PAI expenses	<u>\$ 65,784</u>
Purchase of property and equipment	<u>452</u>
Total PAI expenses and property and equipment purchases	<u>\$ 66,236</u>

Note 7 - Lease Commitment

The Organization has entered into a lease agreement for the rental of office space in Sioux Falls, South Dakota which expires in 2023. On September 1, 2020, the agreement was amended to add additional office space. The lease contains a clause which allows the Organization to terminate the lease in the event they were to lose a substantial portion of its LSC funding. The termination clause can be exercised with ninety days minimum notice. Premature termination would result in a forfeiture of the Organization's security deposit of \$3,050. Lease expense for the year ending December 31, 2021 was \$93,696.

The future minimum lease payments under this lease are as follows:

<u>Years Ending December 31,</u>	
2022	\$ 90,696
2023	<u>90,696</u>
	<u>\$ 181,392</u>

Note 8 - Line of Credit

The Organization has an \$125,000 revolving line of credit with a bank. Borrowings under the line bear interest at the prime rate plus 1.75%. Interest payments are due monthly with the principal due at the maturity date of May 31, 2022. The collateral on the revolving line of credit includes all assets of the Organization.

Note 9 - Note Payable

On October 15, 2019, the Organization entered into an unsecured note agreement with the SD Bar Foundation in the amount of \$150,000. The note bore interest at 3.00%. Monthly payments of interest and principal totaling \$6,447 were due through October 15, 2021. The remaining loan balance was paid in full in 2021.

Note 10 - Retirement Plan

The Organization maintains a 401(k)-profit sharing plan on behalf of its employees through ABA Retirement Funds. Employees who are 21 years or older and have one month of service are eligible to participate. The Organization has a tiered matching contribution consisting of 100% of a participant's elective contribution not in excess of 3.00% and 50% of a participant's elective contributions over 3.00% but not in excess of 5.00%. Vesting occurs after two years of service. Employer contributions were \$18,171 for the year ended December 31, 2021.



Supplementary Information

December 31, 2021 with Comparative Totals for
December 31, 2020

East River Legal Services Corporation

East River Legal Services Corporation

Statements of Support, Revenue and Expenses, and Changes in Net Assets for Legal Services Corporation Funds
Year Ended December 31, 2021 with Comparative Totals for the Year Ended December 31, 2020

	2021					2020		
	Basic Field Grant	Private Attorney Involvement	Rural Summer League Corps Student Fellow	COVID-19 Response Grant	Total	Property	Grand Total	Total
Support and Revenue								
Grants and contracts	\$ 468,878	\$ 18,555	\$ 5,000	\$ -	\$ 492,433	\$ -	\$ 492,433	\$ 517,416
Personnel Expenses								
Salaries - lawyers	115,317	956	-	4,923	121,196	-	121,196	118,127
Salaries - paralegals	16,450	4	-	867	17,321	-	17,321	15,339
Salaries - other	166,626	11,562	-	590	178,778	-	178,778	189,528
Employee benefits	70,121	2,788	-	1,013	73,922	-	73,922	66,792
Total personnel expenses	368,514	15,310	-	7,393	391,217	-	391,217	389,786

East River Legal Services Corporation

Statements of Support, Revenue and Expenses, and Changes in Net Assets for Legal Services Corporation Funds
Year Ended December 31, 2021 with Comparative Totals for the Year Ended December 31, 2020

	2021				2020			
	Basic Field Grant	Private Attorney Involvement	Rural Summer League Corps Student Fellow	COVID-19 Response Grant	Total	Property	Grand Total	Total
Other Expenses								
Space and occupancy	\$ 27,066	\$ 1,214	\$ -	\$ 616	\$ 28,896	\$ -	\$ 28,896	\$ 30,985
Audit	6,842	434	-	213	7,489	-	7,489	6,907
Travel	419	-	-	-	419	-	419	3,944
Insurance	1,949	86	-	45	2,080	-	2,080	2,971
Telephone	1,846	82	-	42	1,970	-	1,970	1,897
Advertising	1,223	97	-	25	1,345	-	1,345	1,261
Office supplies	5,161	219	-	145	5,525	-	5,525	5,158
Depreciation	-	-	-	-	-	17,570	17,570	9,414
Other	5,179	27	-	11	5,217	-	5,217	6,094
Accounting contract services	651	50	-	18	719	-	719	4,529
Technology	10,337	470	-	237	11,044	-	11,044	24,463
Library	1,708	74	-	36	1,818	-	1,818	1,876
Dues and fees	1,818	40	-	16	1,874	-	1,874	1,072
Contract services to program	-	-	5,000	-	5,000	-	5,000	13,911
Reallocation for excess expenditures to net assets without restrictions	-	-	-	-	-	-	-	(5,683)
Total other expenses	<u>64,199</u>	<u>2,793</u>	<u>5,000</u>	<u>1,404</u>	<u>73,396</u>	<u>17,570</u>	<u>90,966</u>	<u>108,799</u>
Total expenses	<u>432,713</u>	<u>18,103</u>	<u>5,000</u>	<u>8,797</u>	<u>464,613</u>	<u>17,570</u>	<u>482,183</u>	<u>498,585</u>
Support and Revenue								
Over (Under) Expenses	36,165	452	-	(8,797)	27,820	(17,570)	10,250	18,831
Transfer for Property	(35,383)	(452)	-	-	(35,835)	35,835	-	-
Net Assets, Beginning	-	-	-	8,797	8,797	49,220	58,017	39,186
Net Assets, Ending	<u>\$ 782</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 782</u>	<u>\$ 67,485</u>	<u>\$ 68,267</u>	<u>\$ 58,017</u>

East River Legal Services Corporation
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

Federal Grantor/Pass Through Grantor/ Program Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
Legal Services Corporation			
Direct			
Basic Field Grant	09.542026		\$ 486,981
COVID-19 Response Grant	09.542026		<u>8,797</u>
Total Legal Service Corporation			<u>495,778</u>
U.S. Department of Justice			
Passed through State of South Dakota Department of Public Safety			
Crime Victim Assistance	16.575	2021-1441-00040; 2022-COMBO-00002	<u>894,404</u>
U.S. Department of Health and Human Services			
Passed through State of South Dakota Department of Public Safety			
COVID-19 -Family Violence Prevention and Services Act	93.671	SDVS-CARES-ACT-0001	<u>5,976</u>
Total Federal Financial Assistance			<u><u>\$ 1,396,158</u></u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of East River Legal Services Corporation under programs of the federal government for the year ended December 31, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs 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, changes in net assets, or cash flows of the Organization.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The Organization has not elected to use the 10% de minimis cost rate.



**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***

To the Board of Directors
East River Legal Services Corporation
Sioux Falls, 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 East River Legal Services Corporation (the Organization), which comprise the Organization's statement of financial position as of December 31, 2021, and the related statements of activities, 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 April 28, 2022.

Report on 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) as a basis for designing 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. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding 2021-001, that we consider to be a material weakness.

Report on 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 financial statements. 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*.

East River Legal Services Corporation's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the finding identified in our audit and 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 the financial statements and, accordingly, we express no opinion on the response.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Sioux Falls, South Dakota
April 28, 2022



**Independent Auditor’s Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Directors
East River Legal Services Corporation
Sioux Falls, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited East River Legal Services Corporation’s (the Organization’s) compliance with the types of compliance requirements identified as subject to audit 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 December 31, 2021. The Organization’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

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 each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

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 (*Government Auditing Standards*); 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. 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 Organization’s federal programs.

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 GAAS, *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 each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization'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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as finding 2021-002 and 2021-005. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's responses to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies .

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 2021-003, 2021-004 and 2021-005 that we consider to be material weaknesses.

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 and questioned costs as finding 2021-002 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 responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Sioux Falls, South Dakota
April 28, 2022

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weakness identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular 2 CFR 200.516:	Yes

Identification of major programs:

Name of Federal Program	CFDA Number
Basic Field Grant	09.542026
COVID-19 Response Grant	09.542026
Crime Victim Assistance	16.575
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2021-001 Preparation of the Financial Statements, Schedule of Expenditures of Federal Awards and Material Audit Adjustments Material Weakness

Criteria: Proper controls over financial reporting include an adequate system for recording and processing entries material to the financial statements, as well as the ability to prepare financial statements, the schedule of expenditures of federal awards (SEFA), and accompanying notes to the financial statements that are materially correct.

Condition: As auditors, we proposed audit adjustments in the aggregate that were material to the financial statements. Also, The Organization included nonfederal in-kind service expenditures on the SEFA resulting in a material misstatement to the schedule.

Cause: The expertise necessary to prepare the financial statements in accordance with generally accepted accounting standards, including all necessary disclosures can be difficult. The audit adjustments were to properly recognize revenue on a contract in which the service had been provided and recognize grant revenue with restrictions. The inclusion of the non-federal expenditures on the SEFA was an oversight.

Effect: There is a reasonable possibility that the Organization would not be able to prepare the financial statements, SEFA, and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Recommendations: Management and the Board should continually be aware of the financial reporting of the Organization and changes in reporting requirements and should ensure proper controls over financial reporting are implemented.

Views of Responsible Officials: We are in agreement.

Section III – Federal Award Findings and Questioned Costs

2021-002 Legal Services Corporation CFDA #09-542026 Legal Services Corporation – Basic Field Grant

Eligibility Significant Deficiency in Internal Control over Compliance and Compliance

Criteria: 2 CFR 200.303(a), 45 CFR 1626 and 45 CFR 1611.3 (d) (2) establishes that the auditee must establish and maintain effective internal control over the federal award that provides assurance that the entity is managing the federal award in compliance with federal statutes, regulations, and conditions of the federal award.

Condition: There was one reportable instance within case file review identified in which a client's written attestation to his/her United States citizenship was not retained. Additionally, one instance was identified in which a client's total assets exceeded the Organization's asset ceiling and the Executive Director's approval nor documentation supporting rationale for waiving asset ceiling was retained.

Cause: There was a lapse in oversight of the internal control process ensuring case files include the required documentation and to ensure cases are in compliance with the applicable federal standards.

Effect: Lack of compliance with designed internal controls over case files could result in the Organization using funds for cases that are not eligible for reimbursement.

Questioned Costs: None reported. Minimal time was spent on the case in which the client's total assets exceeded the Organization's asset ceiling.

Context/Sampling: A nonstatistical sample of 60 case files.

Repeat Finding from Prior Year: No

Recommendation: We recommend the Organization review policies and procedures with applicable employees and remind them of the importance of established review and monitoring processes.

Views of Responsible Officials: Management is in agreement.

**2021-003 Department of Justice
Passed through State of South Dakota Department of Public Safety
Federal Financial Assistance Listing / CFDA #16.575; 2021-1441-00040, 07/01/2020 –
06/30/2021; 2022-COMBO-00002, 07/01/2021 – 06/30/2022
Crime Victim Assistance**

**Procurement, Suspension and Debarment
Material Weakness in Internal Control over Compliance**

Criteria: 2 CFR 200.303(a) establishes that the auditee must establish and maintain effective internal control over the federal award that provides assurance that the entity is managing the federal award in compliance with federal statutes, regulations, and conditions of the federal award. The non-Federal entity's documented suspension and debarment procedures must conform to the standards identified in 2 CFR 180.25.

Condition: The Organization's written procurement policy does not include all the required elements as outlined in the Uniform Guidance. The Organization did not verify a vendor with a covered transaction over the \$25,000 threshold was not suspended or debarred prior to entering into the transaction.

Cause: The Organization's procurement policy does not include all of the required elements as outlined in the Uniform Guidance. The Organization does not have a process in place to ensure vendors with covered transactions over the \$25,000 threshold are not suspended or debarred.

Effect: Without a written procurement policy in accordance with the Uniform Guidance, demonstrating that the program complies with laws, regulations, and other compliance requirements is difficult. Without controls over suspension and debarment, the Organization would not be able to prevent, detect or correct potential instances of noncompliance in a timely manner.

Questioned Costs: None reported. The vendor in which the covered transaction exceeded the \$25,000 threshold was not suspended or debarred.

Context/Sampling: Nonstatistical sample of 60 disbursements. Out of the 60 disbursements, there were covered transactions with one vendor above the threshold.

Repeat Finding from Prior Year: No

Recommendation: We recommend that management review the Uniform Guidance procurement standards to ensure the Organization's procurement policy includes all required elements and implement a process to verify vendors are not suspended or debarred prior to entered into covered transactions.

Views of Responsible Officials: Management is in agreement.

**2021-004 Department of Justice
Passed through State of South Dakota Department of Public Safety
Federal Financial Assistance Listing / CFDA #16.575; 2021-1441-00040, 07/01/2020 –
06/30/2021; 2022-COMBO-00002, 07/01/2021 – 06/30/2022
Crime Victim Assistance**

**Cash Management and Matching
Material Weakness in Internal Control over Compliance**

Criteria: 2 CFR 200.303(a) establishes that the auditee must establish and maintain effective internal control over the federal award that provides assurance that the entity is managing the federal award in compliance with federal statutes, regulations, and conditions of the federal award.

Condition: Lack of support to substantiate an independent review and approval is completed prior to the cash draw requests submitted and the matching costs being claimed.

Cause: There is currently only one person preparing and submitting the cash draw requests and reporting the matching costs being claimed. There is no secondary review process in place.

Effect: Lack of independent review of cash draw requests and matching costs claimed could result in a reasonable possibility that the Organization would not detect errors in the normal course of performing duties and correct them in a timely manner.

Questioned Costs: None reported

Context/Sampling: Cash draws and matching costs claimed were tested for four out of twelve months.

Repeat Finding from Prior Year: No

Recommendation: We recommend that management ensure a documented independent review and approval is completed prior to submission of the cash draw request and matching costs claimed.

Views of Responsible Officials: Management is in agreement.

**2021-005 Department of Justice
Passed through State of South Dakota Department of Public Safety
Federal Financial Assistance Listing / CFDA #16.575; 2021-1441-00040, 07/01/2020 –
06/30/2021
Crime Victim Assistance**

**Reporting
Material Weakness in Internal Control over Compliance and Compliance**

Criteria: 2 CFR 200.303(a) establishes that the auditee must establish and maintain effective internal control over the federal award that provides assurance that the entity is managing the federal award in compliance with federal statutes, regulations, and conditions of the federal award. 2 CFR 200.327 and 2 CFR 200.328 require the auditee to collect financial information and monitor its activities under federal awards to assure compliance with applicable federal requirements and performance expectations are being achieved and report these items in accordance with the program requirements

Condition: The annual report was not completed and submitted for grant award #2021-1441-00040 until it was requested during the audit.

Cause: There was a lapse in oversight of the internal control process ensuring annual report was completed and submitted timely.

Effect: The required annual report was not filed within a reasonable time after the date of grant completion.

Questioned Costs: None reported

Context/Sampling: A nonstatistical sample of 3 of 5 reports were tested.

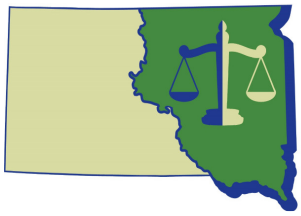
Repeat Finding from Prior Year: No

Recommendation: We recommend management review internal control procedures over reporting to ensure annual reporting requirements are submitted timely.

Views of Responsible Officials: Management is in agreement.

Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
December 31, 2021

Prepared by Management of
EAST RIVER LEGAL SERVICES



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2020-001

Finding Summary: The Organization included the Paycheck Protection Program loan expenditures on the SEFA.

Responsible Individuals: Brent Thompson, Executive Director and Kim Poitra, Chief Financial Officer.

Corrective Action Plan: The responsible individuals will follow available guidance in preparing the SEFA. Preparation and approval procedures of the SEFA will be updated in the accounting manual.

Status: Ongoing due to a transition in the Executive Director position, the SEFA was not reviewed. See Finding 2021-001.

Finding 2020-002

***Federal Agency Name:* Legal Services Corporation**

***Program Name:* LSC Basic Field Grant**

***CFDA#:* 09-542026**

Finding Summary: There were three reportable instances within testing of payroll where hours reported in Legal Server did not agree to the hours included on the allocation spreadsheet. Payroll hours allocated to the applicable grant programs drives the monthly indirect cost allocation. The Legal Server hours were correct and direct payroll charged to the LSC grants was correct.

Responsible Individuals: Brent Thompson, Executive Director and Kim Poitra, Chief Financial Officer.

Corrective Action Plan: Additional procedures in monitoring timekeeping were implemented in August 2020 upon hiring a Staff Accountant. These include monitoring timekeeping daily/following up with issues and using a spreadsheet template to verify timeslips with Legal Server each week after Legal Server is closed. In addition, timeslip and Legal Server hours were added to the Payroll Summary template in April 2021 to ensure paystub, Legal Server, and timeslip hours matched. Management oversight ensures these additional procedures are performed with weekly timekeeping reviews between the Chief Financial Officer and Staff Accountant which started in August 2020. In addition, the CFO and ED ensure the additional information is added to the payroll summaries upon their reviews.

Status: Resolved

CORRECTIVE ACTION PLAN

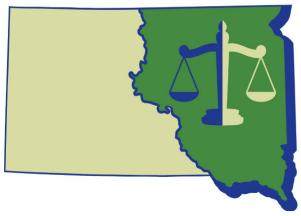
Finding 2021-001

Finding Summary: The auditors proposed audit adjustments in the aggregate that were material to the financial statements. The Organization included LSC Rural Summer Legal Corporation funding and in-kind service expenditures on the SEFA.

Responsible Individuals: Kim Poitra, Chief Financial Officer.

Corrective Action Plan: The CFO will review accounting guidance relating to revenue recognition and follow available guidance in preparing the SEFA. Preparation and approval procedures of the SEFA will be updated in the accounting manual.

Anticipated Completion Date: Duties will be completed annually starting with the 2022 audit.



Finding 2021-002

Federal Agency Name: Legal Services Corporation

Program Name: LSC Basic Field Grant

CFDA#: 09-542026

Finding Summary: There was one reportable instance within case file review identified in which a client's written attestation to his/her United States citizenship was not retained. Additionally, one instance was identified in which a client's total assets exceeded the Organization's asset ceiling.

Responsible Individuals: Gina Rogers, Managing Attorney.

Corrective Action Plan: The Organization reviewed policies and procedures as well as review and monitoring of case requirements with the employees involved.

Completion Date: April 2022

Finding 2021-003

Federal Agency Name: Department of Justice

Program Name: Victims of Crime Act

CFDA#: 16.575

Finding Summary: The Organization's written procurement policy does not include all the required elements as outlined in the Uniform Guidance. The Organization did not verify a vendor with a covered transaction over the \$25,000 threshold was not suspended or debarred prior to entering into the transaction.

Responsible Individuals: Kim Poitra, Chief Financial Officer.

Corrective Action Plan: The Organization will update their procurement plan to include verifying vendors with transactions over \$25,000 threshold are not suspended or debarred prior to purchasing from them. Additionally, the Organization will review and update their procurement policy to ensure all Uniform Guidance required elements are included in accordance with 2 CFR 200.

Completion Date: May 2022 Board meeting

Finding 2021-004

Federal Agency Name: Department of Justice

Program Name: Victims of Crime Act

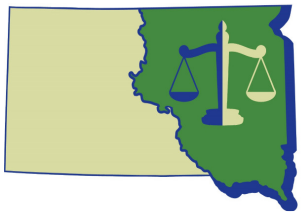
CFDA#: 16.575

Finding Summary: Lack of support to substantiate an independent review and approval is completed prior to the cash draw requests submitted and the matching costs being claimed.

Responsible Individuals: Kim Poitra, Chief Financial Officer.

Corrective Action Plan: The Organization will implement a process where the Staff Accountant prepares cash draws with an independent review by the Chief Financial Officer.

Completion Date: May 2022



Finding 2021-005

Federal Agency Name: Department of Justice

Program Name: Victims of Crime Act

CFDA#: 16.575

Finding Summary: The annual report was not completed and submitted for grant award #2021-1441-00040 until it was requested during the audit.

Responsible Individuals: Kim Poitra, Chief Financial Officer.

Corrective Action Plan: The Organization reviewed internal control procedures to ensure annual reports are submitted in a timely manner.

Completion Date: April 2022