

State of South Dakota

Self-assessment and internal control report

Date: June 30, 2021

FY 2021 QTR 4

Agencies under review:

Bureau of Finance & Management

Department of Revenue

Department of Tribal Relations

Department of Tourism

Executive Summary

The State of South Dakota Internal Control Framework has been successfully rolled out to six agencies: the Bureau Finance & Management, the Department of Revenue, the Department of Agriculture, the Department of Game, Fish & Parks, the Department of Tribal Relations and the Department of Tourism. These agencies have documented their objectives, risks and controls which are subject to periodic revision. The Framework provides for the need to monitor, test and report control deficiencies as part of the first line of defense activities. This report details the results and findings as part of the self-assessments performed by the control owners in each division. The following activities were performed as part of the self-assessment:

- Control owners and Agency Internal Control Officers completed a review of their objectives, risks, and controls to ensure their matrix was up to date. This includes changing risks, risk ratings, objectives, and prioritizations where necessary;
- Control owners completed a self-assessment/attestation for their respective controls validating control effectiveness;
- Control owners are documenting remediation plans for control deficiencies where applicable;
- Control owners received training on attestation completion;
- The Statewide Internal Control Officer reviewed the key information reported by all relevant parties and provided guidance where necessary.

Overall, we had a 96.7% response rate on the control owner attestations this quarter.

State of South Dakota Internal Control Program Snapshot

Key accomplishments to date

Metric	Current period	Prior period
Number of remediation plans in progress	5	2
% High/Critical risks	20.0%	23.5%
% High/Critical risks with an identified control issue	10.0%	8.4%
Number new risks identified	239	376
% Attestations completed on time	96.7%	98.2%
Number new controls identified	24	82



Statewide Self-Assessment Results

Agencies represented in report:

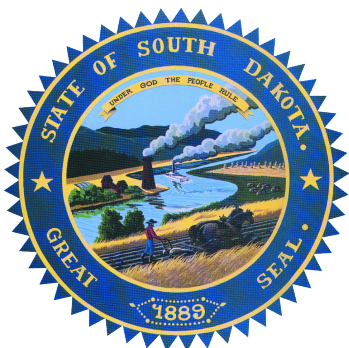
Bureau of Finance and Management

Department of Revenue

Department of Game, Fish & Parks

Department of Tribal Relations

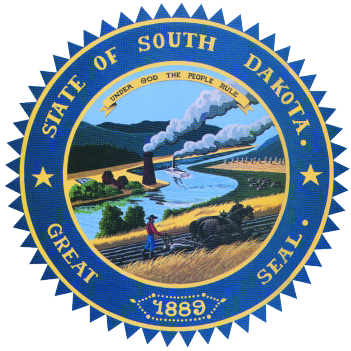
Department of Tourism



Statewide

Metric	Details	Current review period		Prior review period	
		Number	Percent	Number	Percent
Risk by Type	Public Perception	143	13.0%	45	9.3%
	Technology	51	4.6%	37	7.6%
	Operational	636	57.9%	209	43.2%
	Compliance	126	11.5%	103	21.3%
	Financial	143	13.0%	90	18.6%
	1099	100%	484	100%	
Risk by Priority	Low	298	27.1%	123	25.4%
	Medium	581	52.9%	228	47.1%
	High	139	12.6%	75	15.5%
	Critical	81	7.4%	58	12.0%
	1099	100%	484	100%	
Control Owner Self-Assessments	Completed On-time	96.7%		100%	
Critical / High Priority Risks with an Identified Control Issue	High	15	10.8%	1	0.7%
	Critical	7	8.6%	2	2.5%
	22	10%	3	1.4%	
Past Due Remediation Actions		1		0	
Risks with Priority Changes		0		0	
Number of Control Issues by Risk Type	Public Perception	Number	Percent	Number	Percent
	Technology	2	9.1%	0	0.0%
	Operational	0	0.0%	0	0.0%
	Compliance	19	86.4%	1	33.3%
	Financial	0	0.0%	2	66.7%
		1	4.5%	0	0.0%
Preventive vs. Detective Controls		36% vs. 64%		44% vs. 56%	
Controls by Frequency	Ad-Hoc	132	39.9%	90	40.0%
	Daily	39	11.8%	35	15.6%
	Weekly	9	2.7%	7	3.1%
	Bi-Weekly	5	1.5%	5	2.2%
	Monthly	51	15.4%	41	18.2%
	Bi-Monthly	3	0.9%	3	1.3%
	Quarterly	12	3.6%	9	4.0%
	Semi-Annually	6	1.8%	2	0.9%
	Annually	73	22.1%	33	14.7%
	(empty)	1	0.3%		
	331	100%	225	100%	

Independent Audit Outcomes



Overview

The Department of Legislative Audit (DLA) issued the State's Single Audit for FY20 on April 22nd. In the Single Audit, DLA audits compliance for each major federal award and reports on internal control over compliance as required by the uniform guidance.

Additionally, DLA audits the State's Comprehensive Annual Financial Report (CAFR) and considers the internal controls and tests compliance that could affect financial statement amounts as a part of that audit.

This report will focus on the findings related to agencies that have implemented the Statewide Internal Control Framework.

Results

The Department of Revenue had one financial statement audit finding. This finding is now captured and addressed in the Department's Risk and Control Matrix.

-2020-001 Inadequate Segregation of Duties over Access Rights

The Bureau of Finance and Management had two financial statement audit findings. These findings will be captured and addressed in the Department's Risk and Control Matrix.

-2020-003 Ineffective Internal Controls over Financial Reporting

- 2020-007 Inadequate Internal Controls over the Preparation of the Schedule of Expenditures of Federal Awards

Internal Control Program Status update

Complete

- **Internal Control Framework drafted and adopted**
- **Rolled out to six agencies (BFM, DOR, SDDA, GFP, DTR and TOUR)**
- **GRC Technology implemented**
- **Finalized extension of PwC Contract**

In progress

- **Planning for future implementations**

Not started

- **One agency awaiting implementation of framework (Department of Corrections)**

Appendices

Appendix A – Status of Prior Year Findings

Appendix B - Agency Metrics Details

Appendix C – Independent Auditor Reports

Appendix A – Status of Previous Findings

#	Observation	Status	Comment
DOR 2019-001	Inadequate Segregation of Duties over Access Rights	Closed	

Appendix B – Agency Metrics Details

***See the following for detailed metric and review dates for
all the agencies onboarded to the State of South Dakota
Internal Control Framework***



Bureau of Finance & Management

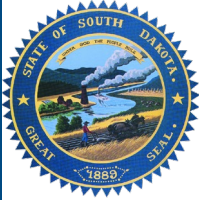
Agency Internal Control Officer
Steven Kohler,
Director of
Executive
Management
Finance Office

Last review period:
December 17,
2020

Date of review:
June 30, 2021

Bureau of Finance and Management

Metric	Details	Current review period		Prior review period	
		Number	Percent	Number	Percent
Risk by Type	Public Perception	0	0.0%	0	0.0%
	Technology	13	7.0%	13	7.0%
	Operational	123	65.8%	123	65.8%
	Compliance	27	14.4%	27	14.4%
	Financial	24	12.8%	24	12.8%
	187	100%	187	100%	
Risk by Priority	Low	52	27.8%	52	27.8%
	Medium	109	58.3%	109	58.3%
	High	25	13.4%	25	13.4%
	Critical	1	0.5%	1	0.5%
	187	100%	187	100%	
Control Owner Self-Assessments	Completed On-time	100%		100%	
Critical / High Priority Risks with an Identified Control Issue	High	0	0%	0	0%
	Critical	0	0%	0	0%
	0	0%	0	0%	
Past Due Remediation Actions		0		0	
Risks with Priority Changes		0		0	
Number of Control Issues by Risk Type	Public Perception	0	0%	0	0%
	Technology	0	0%	0	0%
	Operational	0	0%	0	0%
	Compliance	0	0%	0	0%
	Financial	0	0%	0	0%
	0	0%	0	0%	
Control Issues by Division	BFM Budget Analysis	0	0%	0	0%
	BFM EMFO	0	0%	0	0%
	BFM Financial Reporting	0	0%	0	0%
	BFM Financial Systems and Operations	0	0%	0	0%
	BFM Internal Controls	0	0%	0	0%
	BFM State Economist	0	0%	0	0%
Controls with Independent Audit Issues		0		0	
Controls with Repeat Issues		0		0	
Preventive vs. Detective Controls		67.2% vs. 32.8%		67.2% vs. 32.8%	
Controls by Frequency	Ad-Hoc	32	52.5%	32	52.5%
	Daily	8	13.1%	8	13.1%
	Weekly	1	1.6%	1	1.6%
	Bi-Weekly	0	0.0%	0	0.0%
	Monthly	4	6.6%	4	6.6%
	Bi-Monthly	0	0.0%	0	0.0%
	Quarterly	3	4.9%	3	4.9%
	Semi-Annually	1	1.6%	1	1.6%
	Annually	12	19.7%	12	19.7%
	61	100%	61	100%	



Department of Revenue

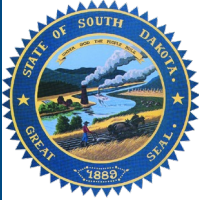
Department of Revenue

Agency Internal Control Officer
Toni Richardson,
Director of Administration

Last review period:
December 17, 2020

Date of review:
June 30, 2021

Metric	Details	Current review period		Prior review period	
		Number	Percent	Number	Percent
Risk by Type	Public Perception	45	15.2%	45	15.2%
	Technology	24	8.1%	24	8.1%
	Operational	86	29.0%	86	29.0%
	Compliance	76	25.6%	76	25.6%
	Financial	66	22.2%	66	22.2%
		297	100%	297	100%
Risk by Priority	Low	71	23.9%	71	23.9%
	Medium	119	40.1%	119	40.1%
	High	50	16.8%	50	16.8%
	Critical	57	19.2%	57	19.2%
		297	100%	297	100%
Control Owner Self-Assessments	Completed On-time	100%		100%	
Critical / High Priority Risks with an Identified Control Issue	High	1	2%	1	2%
	Critical	1	1.8%	2	3.5%
		2	1.9%	3	2.8%
Past Due Remediation Actions		1		0	
Risks with Priority Changes		0		0	
Number of Control Issues by Risk Type	Public Perception	0	0.0%	0	0.0%
	Technology	0	0.0%	0	0.0%
	Operational	1	50.0%	1	33.3%
	Compliance	0	0.0%	2	66.7%
	Financial	1	50.0%	0	0.0%
Control Issues by Division	DOR Administration	1	50.0%	1	33.3%
	DOR Audit	0	0.0%	0	0.0%
	DOR Business Tax	0	0.0%	0	0.0%
	DOR Gaming	0	0.0%	0	0.0%
	DOR Legal	0	0.0%	0	0.0%
	DOR Lottery	1	50.0%	1	33.3%
	DOR Motor Vehicles	0	0.0%	1	33.3%
	DOR Property Taxes	0	0.0%	0	0.0%
	DOR Special Taxes	0	0.0%	0	0.0%
Controls with Independent Audit Issues		0		0	
Controls with Repeat Issues		0		0	
Preventive vs. Detective Controls		35.4% vs. 64.6%		35.4% vs. 64.6%	
Controls by Frequency	Ad-Hoc	58	35.4%	58	35.4%
	Daily	27	16.5%	27	16.5%
	Weekly	6	3.7%	6	3.7%
	Bi-Weekly	5	3.0%	5	3.0%
	Monthly	37	22.6%	37	22.6%
	Bi-Monthly	3	1.8%	3	1.8%
	Quarterly	6	3.7%	6	3.7%
	Semi-Annually	1	0.6%	1	0.6%
	Annually	21	12.8%	21	12.8%
		164	100%	164	100%



Department of Tribal Relations

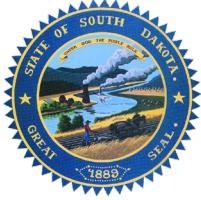
Agency Internal Control Officer
 Andrea Gaede,
 Information Specialist

Last review period:
 N/A

Date of review:
 June 30, 2021

Department of Tribal Relations

Metric	Details	Current review period		Prior review period	
		Number	Percent	Number	Percent
Risk by Type	Public Perception	21	15.3%	0	0%
	Technology	0	0.0%	0	0%
	Operational	95	69.3%	0	0%
	Compliance	3	2.2%	0	0%
	Financial	18	13.1%	0	0%
	137	100%	0	0%	
Risk by Priority	Low	34	24.8%	0	0%
	Medium	89	65.0%	0	0%
	High	13	9.5%	0	0%
	Critical	1	0.7%	0	0%
	137	100%	0	0%	
Control Owner Self-Assessments	Completed On-time	100%		0%	
Critical / High Priority Risks with an Identified Control Issue	High	2	15.4%	0	0%
	Critical	1	100%	0	0%
	3	21.4%	0	0%	
Past Due Remediation Actions		0		0	
Risks with Priority Changes		0		0	
Number of Control Issues by Risk Type	Public Perception	0	0.0%	0	0%
	Technology	0	0.0%	0	0%
	Operational	3	100.0%	0	0%
	Compliance	0	0.0%	0	0%
	Financial	0	0.0%	0	0%
	0	0.0%	0	0%	
Control Issues by Division	TRIB Tribal Relations	3	100.0%	0	0%
Controls with Independent Audit Issues		0		0	
Controls with Repeat Issues		0		0	
Preventive vs. Detective Controls		42.9% vs. 57.1%		0% vs. 0%	
Controls by Frequency	Ad-Hoc	3	21.4%	0	0%
	Daily	0	0.0%	0	0%
	Weekly	0	0.0%	0	0%
	Bi-Weekly	0	0.0%	0	0%
	Monthly	3	21.4%	0	0%
	Bi-Monthly	0	0.0%	0	0%
	Quarterly	1	7.1%	0	0%
	Semi-Annually	3	21.4%	0	0%
	Annually	3	21.4%	0	0%
	(empty)	1	7.1%		
	14	100%	0	0%	



Department of Tourism

Department of Tourism

Agency
Internal
Control
Officer
Wanda
Goodman,
Deputy
Secretary

Last review
period:
N/A

Date of
review:
June 30, 2021

Metric	Details	Current review period		Prior review period	
		Number	Percent	Number	Percent
Risk by Type	Public Perception	16	15.7%	0	0%
	Technology	0	0.0%	0	0%
	Operational	76	74.5%	0	0%
	Compliance	4	3.9%	0	0%
	Financial	6	5.9%	0	0%
	102	100%	0	0%	
Risk by Priority	Low	58	56.9%	0	0%
	Medium	34	33.3%	0	0%
	High	5	4.9%	0	0%
	Critical	5	4.9%	0	0%
	102	100%	0	0%	
Control Owner Self-Assessments	Completed On-time	60%		0%	
Critical / High Priority Risks with an Identified Control Issue	High	1	20%	0	0%
	Critical	0	0%	0	0%
		1	10%	0	0%
Past Due Remediation Actions		0		0	
Risks with Priority Changes		0		0	
Number of Control Issues by Risk Type	Public Perception	0	0.0%	0	0%
	Technology	0	0.0%	0	0%
	Operational	1	100.0%	0	0%
	Compliance	0	0.0%	0	0%
	Financial	0	0.0%	0	0%
Control Issues by Division	TOUR Arts	1	100.0%	0	0%
	TOUR Tourism	0	0.0%	0	0%
Controls with Independent Audit Issues		0		0	
Controls with Repeat Issues		0		0	
Preventive vs. Detective Controls		20% vs. 80%		0% vs. 0%	
Controls by Frequency	Ad-Hoc	0	0.0%	0	0%
	Daily	2	20.0%	0	0%
	Weekly	1	10.0%	0	0%
	Bi-Weekly	0	0.0%	0	0%
	Monthly	3	30.0%	0	0%
	Bi-Monthly	0	0.0%	0	0%
	Quarterly	0	0.0%	0	0%
	Semi-Annually	0	0.0%	0	0%
	Annually	4	40.0%	0	0%
	10	100%	0	0%	

Appendix C – Independent Audit Report

See the following for Independent Auditor Reports



***AUDITOR PREPARED
SCHEDULE OF FINDINGS
AND QUESTIONED COSTS***

DEPARTMENT OF REVENUE

CURRENT AUDIT FINDING AND RECOMMENDATIONS

Financial Statement Audit Finding:

Finding No. 2020-001: Inadequate Segregation of Duties over Access Rights

Type of Finding: Significant Deficiency

Criteria:

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the *Internal Control – Integrated Framework (2013 Framework)* defined internal control as:

... a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.

The Government Accountability Office – *Standards for Internal Control in the Federal Government* principle of internal control 10 states, "The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels." and principle 12 states, "The organization deploys control activities through policies that establish what is expected and procedures that put policies into action."

The Government Accountability Office – *Standards for Internal Control in the Federal Government* principle of internal control 16 states, "[m]anagement should establish and operate monitoring activities to monitor the internal control system and evaluate the results" and principle 17 states, "[m]anagement should remediate identified internal control deficiencies on a timely basis".

Condition:

In the prior audit, we noted that employees had edit access rights to both the RV 23 Capitalizing on Efficiency and Data Accelerating Revenue (CEDAR) system and the South Dakota Accounting System (SDAS). We recommended to management that only necessary CEDAR system edit rights be provided for Department of Revenue (DOR) accountants or that policies be developed to ensure that the accountants with those rights do not have access to any cash or checks. Follow-up testing for FY2020 identified that the policies and procedures that the DOR has been working on have not been developed enough to compensate for this weakness. The DOR stated they are working towards security classifications within CEDAR to limit the amount of access employees have and started reviewing the edit logs but have not implemented any sort of signature control within this review. This represents a significant lack of segregation of duties and presents a general security risk.

Cause:

The internal controls over access rights are not adequate to ensure proper segregation of duties.

Effect:

As a result of inadequate controls over access rights, an employee could alter records without the knowledge of management or other staff. This could allow for hiding errors, incorrect or improper returns, or the misappropriation of assets.

Repeat Finding from Prior Year:

Yes

DEPARTMENT OF REVENUE
(Continued)

Recommendations:

1. We recommend that controls continue to be developed to ensure segregation of duties among accounting staff.
2. We recommend the implementation of signature monitoring so that there is oversight if the duties cannot be separated.

Views of Responsible Officials:

The Department of Revenue concurs with the finding.

STATEWIDE FINANCIAL REPORTING PROCESS

CURRENT AUDIT FINDING AND RECOMMENDATION

Financial Statement Audit Finding:

Finding No. 2020-003: Ineffective internal controls over financial reporting

Type of Finding: Material Weakness

Criteria:

In order for the State to compile the needed information for the State's financial statements, including the notes to the financial statements, the Bureau of Finance and Management (BFM) issued a policies and procedures manual to be used while preparing year-end entries and disclosures. From these broad guidelines, each agency develops specific policies and procedures as well as various internal control procedures to properly report its portion of the year-end entries and disclosures to BFM.

From the year-end entries and disclosure information provided by the agencies, the State's financial statements and applicable note disclosures are prepared by the BFM's Accounting Analysis and Financial Reporting Division. The BFM has implemented controls to detect and correct reporting errors and omissions in the agency provided information to ensure the State's financial statements are accurate and reported in accordance with Generally Accepted Accounting Principles.

Condition:

The internal controls implemented by the agencies and BFM did not adequately detect and correct all of the material reporting errors and omissions.

For the reporting errors and omissions that we identified after the State's internal control procedures had been performed, we proposed correcting entries to the State's financial statements and the accompanying notes to the financial statements. The BFM posted adjusting entries to the accounting records as recommended by us during the audit or adjusted the financial statements or notes to the financial statements accordingly. Our audit identified errors for the following areas:

- Proper recognition and classification of assets, liabilities, revenues, and expenditures/expenses,
- Proper inclusion of separately issued audited financial statements for funds of the State,
- Financial statement preparation,
- Note disclosure preparation,
- Budget to Actual Required Supplementary Information preparation.

Cause:

In many instances the controls implemented by the agencies and BFM were not fully effective, and as a result, year-end entries and disclosure information had material reporting errors and omissions.

Effect:

Because the internal controls of the State were not fully effective in identifying and correcting material misstatements, there existed an increased risk for inaccurate financial reporting.

STATEWIDE FINANCIAL REPORTING PROCESS
(Continued)

Repeat Finding from Prior Year:

No

Recommendation:

We recommend the BFM and State agencies continue to review and improve internal control procedures that have been placed into operation to identify and correct weaknesses that are resulting in reporting errors and omissions.

Views of Responsible Officials:

The Bureau of Finance and Management concurs with this audit finding.

STATEWIDE FINANCIAL REPORTING PROCESS (SEFA)

CURRENT AUDIT FINDING AND RECOMMENDATION

Financial Statement Audit Finding:

Finding No. 2020-007: Inadequate internal controls over the preparation of the Schedule of Expenditures of Federal Awards

Type of Finding: Material Weakness

Criteria:

2 CFR 200.510 requires the auditee to prepare a Schedule of Expenditures of Federal Awards which, at a minimum, must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name.
...
- (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
...

Condition:

The following significant misstatements were noted in the State's Schedule of Expenditures of Federal Awards (SEFA) file submitted to the auditors on February 26, 2021:

- Nine federal grant programs were improperly classified as part of the *Employment Service Cluster*.
- CFDA No. 15.611 *Wildlife Restoration and Basic Hunter Education* was improperly classified as part of the Research and Development Cluster rather than the Fish and Wildlife Cluster.
- Two federal grant programs were improperly classified as part of the *477 Cluster*. No expenditures should have been reported in the *477 Cluster* since it only applies to tribal governments.
- One program received from the National Science Foundation was not properly classified as part of the Research and Development Cluster.
- For CFDA No. 47.083 *Integrative Activities*, Grant Award No. 1736255, the amount passed through to subrecipients exceeded total expenditures.
- A Department of Defense, Army grant award was improperly omitted from the SEFA.
- CFDA No. 12.112 *Payments to States in Lieu of Real Estate Taxes* grant program was improperly omitted from the SEFA.
- Incorrect expenditures were reported for eight programs.
- Incorrect amounts were reported as passed through to subrecipients for seven programs.

STATEWIDE FINANCIAL REPORTING PROCESS (SEFA)
(Continued)

Adjustments were made to the final SEFA to properly report the items noted above. Other less significant misstatements were also noted and corrected.

Cause:

The Bureau of Finance and Management (BFM) is responsible for the preparation of the statewide SEFA submitted as part of the state's Single Audit Report in accordance with the provisions of the Uniform Guidance. Each state agency prepares and submits an agency SEFA to the BFM to be included in the statewide SEFA. To aid the state agencies in proper reporting of their federal expenditures, the BFM has provided detailed written procedures to the personnel responsible for preparation of the SEFA at each state agency. These procedures include performing a reconciliation between the expenditures reported on the agency's SEFA and the South Dakota Accounting System (SDAS).

Limitations in SDAS require the BFM to perform manual procedures when combining the state agency SEFAs into the statewide SEFA. The BFM has created detailed written procedures to be performed to ensure the accuracy of the statewide SEFA. These procedures include, in part, instructions on performing the following steps:

- Making sure the information from all state agency SEFAs are included on the final SEFA.
- Verifying the state agency reconciliations with SDAS and following up on any variances identified.
- Checking to make sure each federal program is reported under the proper CFDA number, program name, federal agency, and cluster of programs.

Based on the results of our testing, it does not appear these procedures were consistently followed by the BFM prior to submission of the SEFA file for audit and adequate review was not performed to detect and correct these errors prior to submission.

Effect:

Because internal controls were not effective in identifying and correcting material misstatements, significant audit adjustments were required to the Schedule of Expenditures of Federal Awards and there existed an increased risk of inaccurate reporting to federal awarding and pass-through agencies.

Repeat Finding from Prior Year:

No

Recommendation:

We recommend controls be implemented, including stronger oversight and review, to ensure written procedures are consistently followed to prevent misstatements in the SEFA for future periods.

Views of Responsible Officials:

The Bureau of Finance and Management concurs with this audit finding.



***AUDITEE PREPARED
CORRECTIVE ACTION
PLANS***

STATE OF SOUTH DAKOTA
AUDITEE PREPARED CORRECTIVE ACTION PLANS
For the Fiscal Year Ended June 30, 2020

DEPARTMENT OF REVENUE

Finding No. 2020-001: Inadequate Segregation of Duties Over Access Rights

Corrective Action Plan: The Department of Revenue concurs with the finding and offers the following corrective action plan. The Department has worked with the Bureau of Information and Telecommunications and the lead programmer of the CEDAR Tax Accounting System to create a new permission class in CEDAR titled "Accounting Finance". This new permission still allows Accounting Finance staff to perform the necessary duties in CEDAR, such as preparing vouchers and handling refunds, but restricts certain functions that affect ledger activity, including adjustments, transfers, moving payments, re-entering credits or debits and removing credits or debits.

The programming was delayed by programming related to the COVID-19 pandemic, but has now been completed and moved into production in October 2020. Prior to the completion of the programming, staff was trained on appropriate activity in CEDAR and directed to work through the Business Tax Accounting Manager for any updates that needed to be completed in CEDAR, which has always been the department's practice. Further, user activity was reviewed regularly to ensure no Accounting Finance staff were performing any activities in CEDAR that were not allowed by policy.

Contact Person: Toni Richardson, Director of Administration

Anticipated Completion Date: October 2020

STATE OF SOUTH DAKOTA
AUDITEE PREPARED CORRECTIVE ACTION PLANS
For the Fiscal Year Ended June 30, 2020

STATEWIDE FINANCIAL REPORTING PROCESS

Finding No. 2020-003: Ineffective Internal Controls Over Financial Reporting

Corrective Action Plan: The State is committed to timely and accurate financial reporting.

The State has numerous accounting and financial reporting procedures as well as preventive and detective controls in place to ensure accurate and timely financial reporting. However, the State struggles with hiring qualified accounting staff. Many accounting positions remain unfilled for extended periods of time. Additionally, the COVID-19 pandemic created even more challenges including further staffing shortages, slowed recruitment, lost training time, and increased research and reporting time for new pandemic relief funds. These obstacles added additional complications to the financial reporting process. Despite these hurdles, the State still managed to issue the fiscal year 2020 Comprehensive Annual Financial Report on time.

The Bureau of Finance and Management will continue to evaluate and improve the financial reporting process. We will continue to enhance and streamline training for new and existing accounting personnel across all state agencies. We will find ways to simplify and automate procedures to achieve accurate financial reporting.

Contact Person: Keith Senger, Director of Accounting and Financial Reporting, Bureau of Finance and Management

Anticipated Completion Date: Ongoing

**STATE OF SOUTH DAKOTA
AUDITEE PREPARED CORRECTIVE ACTION PLANS
For the Fiscal Year Ended June 30, 2020**

STATEWIDE FINANCIAL REPORTING PROCESS (SEFA)

Finding No. 2020-007: Inadequate controls over the preparation of the Schedule of Expenditures of Federal Awards

Corrective Action Plan: The State is committed to timely and accurate financial reporting.

As stated in the finding, the State has numerous accounting and financial reporting written procedures and control activities designed to ensure the accuracy of the statewide Schedule of Expenditures of Federal Awards (SEFA). However, the State struggles with hiring qualified accounting staff. Many accounting positions remain unfilled for extended periods of time. Additionally, the COVID-19 pandemic created even more challenges including further staffing shortages, slowed recruitment, lost training time, and increased research and reporting time for new pandemic relief funds. These obstacles added additional complications to the financial reporting process.

The Bureau of Finance and Management will continue to evaluate and improve the financial reporting process. We will continue to enhance and streamline training for new and existing accounting personnel across all state agencies. We will find ways to simplify and automate procedures to achieve accurate financial reporting

Contact Person: Keith Senger, Director of Accounting and Financial Reporting, Bureau of Finance and Management

Anticipated Completion Date: Ongoing



***AUDITEE PREPARED
SUMMARY SCHEDULE OF
PRIOR AUDIT FINDINGS***

**STATE OF SOUTH DAKOTA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2020**

DEPARTMENT OF REVENUE

Finding No. 2019-001: Inadequate Segregation of Duties Over Access Rights

Initial Year of Finding: Fiscal Year 2019

Status: Repeat audit finding issued in Fiscal Year 2020 Single Audit – see Finding No. 2020-001

Reason for Recurrence: The necessary programming was not completed due to COVID-19 and Department of Revenue turnover.

