

# *South Dakota*

## Single Audit Report

for the fiscal year ended June 30, 2023





May 20, 2024

To the Citizens of the State of South Dakota; The Honorable Kristi Noem, Governor;  
and Members of the South Dakota Legislature:

We submit to you herein, the *Single Audit Report of the State of South Dakota* for the fiscal year ended June 30, 2023. This report includes the financial statements for the State of South Dakota as of June 30, 2023, and for the year then ended. The report also presents the audit results of the State's compliance with state and federal laws and regulations.

In submitting this report, we would like to express our appreciation to the staff of both the Bureau of Finance and Management and the Department of Legislative Audit for their efforts in completing this report. We also thank the many people in the various departments and agencies of state government that assisted by providing information necessary for completing the report.

Respectfully Submitted,

Jim Terwilliger  
Commissioner  
Bureau of Finance and Management

Russell A. Olson  
Auditor General  
Department of Legislative Audit



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

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**STATE OF SOUTH DAKOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2023  
Index**

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<b>Summary of Auditor's Results</b>	<u>Page</u> 238
<b>Schedule of Findings and Questioned Costs</b>	240

**Summary of Findings and Questioned Costs for Federal Awards:**

<u>State Agency</u>	<u>Federal Agency</u>	<u>Finding Number</u>	<u>Page</u>
<i>Non-Compliance Finding:</i>			
Department of Public Safety	DHS	2023-003	243
<i>Material Weakness:</i>			
Department of Public Safety	DHS	2023-003	243
Department of Social Services	DHHS	2023-004	245
Department of Labor and Regulation	DOL	2023-005	247
Department of Labor and Regulation	DOL	2023-006	249

**Summary of State Audit Findings:**

<i>Financial Statement Findings:</i>			
Department of Agriculture and Natural Resources		2023-001	240
Statewide Financial Reporting Process		2023-002	241
Soybean Research and Promotion Council		2023-007	251
Corn Utilization Council		2023-008	252
Corn Utilization Council		2023-009	253
Wheat Utilization, Research and Market Development Commission		2023-010	254
Wheat Utilization, Research and Market Development Commission		2023-011	255

**STATE OF SOUTH DAKOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2023**

**Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	No
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 2 CFR 200.516(a)?	Yes

Identification of major federal programs:

Assistance  
Listing  
Numbers

Name of Federal Program or Cluster

	Medicaid Cluster
	Research and Development Cluster
	Child Nutrition Cluster
	WIOA Cluster
	Clean Water State Revolving Fund Cluster
	Special Education Cluster (IDEA)
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children
10.558	Child and Adult Care Food Program
17.225	Unemployment Insurance
20.933	National Infrastructure Investments

**STATE OF SOUTH DAKOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2023**

20.934	Nationally Significant Freight and Highway Projects
21.027	Coronavirus State and Local Fiscal Recovery Funds
81.049	Office of Science Financial Assistance Program
84.010	Title I Grants to Local Educational Agencies
84.367	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)
84.425	Education Stabilization Fund
93.391	Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises
93.558	Temporary Assistance for Needy Families
93.569	Community Services Block Grant
93.767	Children's Health Insurance Program
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B programs - \$8,700,000

Auditee Qualified as low-risk auditee? No

**STATE OF SOUTH DAKOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2023**

DEPARTMENT OF AGRICULTURE AND NATURAL RESOURCES

**CURRENT AUDIT FINDING AND RECOMMENDATION**

Financial Statement Audit Finding:

**Finding No. 2023-001: Inadequate Internal Controls Over Financial Reporting**

**Type of Finding: Material Weakness**

**Criteria:**

Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially accurate.

**Condition:**

The Department of Agriculture and Natural Resources incorrectly reported the interest expense of the Clean Water State Revolving Fund.

**Cause:**

The Department of Agriculture and Natural Resources combined the amount of accrued interest expense for the Clean Water and Drinking Water State Revolving funds when reporting the Clean Water State Revolving Fund amount causing an overstatement of both the accrued interest payable and interest expense on the Clean Water State Revolving Fund financial statements.

**Effect:**

The Clean Water State Revolving Fund Statement of Revenues, Expenses and Changes in Net Position was materially misstated. This misstatement was corrected by management as a result of the audit.

**Repeat Finding from Prior Year:**

No.

**Recommendation:**

We recommend a secondary review of the statements and supporting documentation be performed to help prevent misstatements from occurring in the future.

**Views of Responsible Officials:**

The Department of Agriculture and Natural Resources concurs with this audit finding. The board will ensure that each statement and supporting documents will be reviewed by separate Department of Agriculture and Natural Resources individual staff before they are submitted by the department for audit.

**STATE OF SOUTH DAKOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2023**

STATEWIDE FINANCIAL REPORTING PROCESS

**CURRENT AUDIT FINDING AND RECOMMENDATION**

Financial Statement Audit Finding:

**Finding No. 2023-002: 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 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 reporting errors. Audit adjustments were proposed, some of which were material, and posted to the financial statements and notes to the financial statements by management.

**Cause:**

In certain instances, the internal controls implemented by the agencies and BFM were not fully effective, and as a result, the financial statements and notes to the financial statements had material reporting errors that needed to be corrected during our audit.

**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.

**Repeat Finding from Prior Year:**

No.

**Recommendation:**

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



**STATE OF SOUTH DAKOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2023**

STATEWIDE FINANCIAL REPORTING PROCESS  
(Continued)

*Views of Responsible Officials:*

The Bureau of Finance and Management (BFM) concurs with this finding.

**STATE OF SOUTH DAKOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2023**

DEPARTMENT OF PUBLIC SAFETY

**CURRENT AUDIT FINDING AND RECOMMENDATION**

Federal Compliance Audit Finding:

**Finding No. 2023-003: Inadequate Internal Controls over Federal Funding Accountability and Transparency Act (FFATA) Reporting**

**Type of Finding: Material Weakness and Non-Compliance**

*Assistance Listing Title:* Disaster Grants - Public Assistance (Presidentially Declared Disasters)

*Assistance Listing Number:* 97.036

*Federal Award Number:* 4440DRSDP00000001, 4469DRSDP00000001, 4527DRSDP00000001, 4656DRSDP00000001, and 4664DRSDP00000001

*Federal Award Year:* 2019, 2020, 2021, 2022, and 2023

*Federal Agency:* Department of Homeland Security

*Category of Finding:* Reporting

**Criteria:**

Under the Federal Funding Accountability and Transparency Act (FFATA), as codified in 2 CFR Part 170, direct recipients of grants or cooperative agreements who make first-tier subawards are required to report each first-tier subaward or subaward amendment that results in an obligation of \$30,000 or more in federal funds through the FFATA Subaward Reporting System (FSRS) no later than the last day of the month following the month in which the subaward/subaward amendment obligation was made.

**Condition:**

During FY23, the Department of Public Safety (DPS) received funding under ALN 97.036, the *Disaster Grants - Public Assistance (Presidentially Declared Disasters)* (Public Assistance) program and made multiple first-tier subawards to local governments and private nonprofit entities to respond to and recover from presidentially declared disasters. The required reporting under FFATA was not performed accurately or timely for all subawards under this program.

For a sample of 20 out of 60 subrecipients receiving over \$30,000 in payments for Public Assistance during FY23, we identified the following:

Number of Transactions Tested	Subaward not Reported	Report not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
32	25	6	4	0

Dollar Amount of Transactions Tested	Subaward not Reported	Report not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
\$ 23,227,664	\$ 17,394,607	\$ 5,801,895	\$ 258,176	\$ -

**STATE OF SOUTH DAKOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2023**

DEPARTMENT OF PUBLIC SAFETY  
(Continued)

In addition, for all 32 of the subawards tested, the Subaward Action Date field was inaccurate. According to the FFATA Grants Reporting Model, the date the subaward agreement was signed should be reported in this field. DPS reported the date the information was entered on FSRS in this field.

Cause:

Multiple natural disasters between fiscal years 2019 and 2023 in addition to the coronavirus pandemic resulted in multiple grant awards being open during the fiscal year requiring extensive reporting under FFATA. Staffing shortages and the lack of resources resulted in improper compliance and oversight of FFATA reporting requirements.

Effect:

Incomplete and inaccurate data was available to the public as required under FFATA.

Questioned Costs:

None.

Repeat Finding from Prior Year:

No.

Recommendation:

We recommend the Department submit the required federal reporting in a timely manner and implement monitoring controls to ensure that data is properly submitted for future periods.

Views of Responsible Officials:

The Department of Public Safety concurs with the audit finding 2023-003, Inadequate Internal Controls over Federal Funding Accountability and Transparency Act (FFATA) reporting.

Due to staffing shortages in our fiscal office, multiple presidential disasters in 2019 and 2022 and the coronavirus pandemic, we fell behind in our FFATA reporting. As of June 30, 2023, FEMA approved over 2,300 project worksheets related to these incidents. This large increase in workload in a short three years caused an increased administrative workload. Our efforts focused on prioritizing service to our customers in a timely manner rather than the FFATA reporting requirements.

We also relied on some of our own judgement on the correct way to report the information since there was little to no feedback from our federal partners. We have heard other states are receiving similar FFATA audit findings as well.

We look forward to getting our awards into compliance.

**STATE OF SOUTH DAKOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2023**

DEPARTMENT OF SOCIAL SERVICES

**CURRENT AUDIT FINDING AND RECOMMENDATION**

Federal Compliance Audit Finding:

**Finding No. 2023-004: Inadequate Controls over the Payment of Claims**

**Type of Finding: Material Weakness**

*Assistance Listing Title:* Temporary Assistance for Needy Families (TANF)

*Assistance Listing Number:* 93.558

*Federal Award Numbers:* 2001SDTANF, 2101SDTANF, 2201SDTANF

*Federal Award Years:* 2020, 2021, 2022

*Federal Agency:* Department of Health and Human Services

*Category of Finding:* Activities Allowed or Unallowed

**Criteria:**

Title 45 of the Code of Federal Regulations (CFR), Section 263.11(a)(2) allows states to use Federal TANF funds for emergency services "For which the State was authorized to use IV-A or IV-F funds under prior law, as in effect on September 30, 1995 (or, at the option of the State, August 21, 1996)."

45 CFR 75.303 requires the non-Federal entity to:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government," issued by the Comptroller General of the United States or the "Internal Control Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Family and Child Information System (FACIS) is utilized to process TANF emergency assistance payments. Approximately \$7.2 million in TANF emergency assistance claims were processed on the FACIS system during FY23.

Chapter XIII of the FACIS Manual states:

"Any claims entered on the New Claim Entry screen require supervisor approval before payment is made. The claims entered by Batch also require supervisor approval."

**Condition:**

Out of 60 TANF emergency assistance claims tested, there was no evidence on the FACIS system of more than one person being involved with the authorization or payment of 53 of those claims.

**STATE OF SOUTH DAKOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2023**

DEPARTMENT OF SOCIAL SERVICES  
(Continued)

Cause:

Controls in the FACIS system were not adequate to prevent the person entering a claim for payment in the system to also approve the claim for payment with no further review. For those claims that were subject to secondary review, no documentation of that review and approval was maintained in the system.

Effect:

As a result of these deficiencies, the lack of secondary review and improper segregation of duties increased the risk of improper payments being made from grant funds.

Questioned Costs:

None.

Repeat Finding from Prior Year:

No.

Recommendation:

We recommend that internal controls be strengthened over the initiation and approval of claims on the FACIS system. These controls should ensure that claim reviews and approvals are being performed by at least one individual other than the person entering the claim on the FACIS system, and adequate documentation should be maintained to support the individual reviewing the claim and the date it was approved.

Views of Responsible Officials:

The Department of Social Services concurs with the finding.

**STATE OF SOUTH DAKOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2023**

DEPARTMENT OF LABOR AND REGULATION

The following was issued under a separate audit of the Unemployment Insurance Fund of the South Dakota Department of Labor and Regulation by Eide Bailly, LLP.

**CURRENT AUDIT FINDINGS AND RECOMMENDATIONS**

Federal Compliance Audit Findings:

**Finding No. 2023-005: Internal Control over Compliance**

**Type of Finding: Material Weakness**

*Assistance Listing Title:* Unemployment Insurance

*Assistance Listing Number:* 17.225

*Federal Agency:* Department of Labor

*Category of Finding:* Reporting

**Criteria:**

ETA and the ET Handbook 401 and ET Handbook 336 provide for the required financial, performance and special reporting required by the Unemployment Insurance program. Internal controls should provide for the accurate preparation, review, and timely submission of these required reports.

**Condition:**

Based on our testing performed, we identified that there was not a control in place for the review of the required reports by an individual separate from the preparer prior to their submission.

**Cause:**

An internal control was not designed to ensure that the required financial, performance, and special reports were being reviewed prior to submission by an individual separate from the preparer.

**Effect:**

Failure to review reports prior to their submission could result in errors in the reported information being submitted.

**Questioned Costs:**

None reported.

**Context/Sampling:**

A nonstatistical sample of 20 reports out of 56 total required reports were selected for testing.

**Repeat Finding from Prior Year(s):**

No.

**Recommendation:**

We recommend management designate a knowledgeable individual, someone separate from the preparer of each respective required report, to review the report and its content for accuracy

**STATE OF SOUTH DAKOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2023**

DEPARTMENT OF LABOR AND REGULATION  
(Continued)

and reasonableness, and document their review for audit documentation purposes, prior to the timely submission of the reports within the required deadline.

*Views of Responsible Officials:*

Management agrees with the finding.

**STATE OF SOUTH DAKOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2023**

DEPARTMENT OF LABOR AND REGULATION  
(Continued)

The following was issued under a separate audit of the Unemployment Insurance Fund of the South Dakota Department of Labor and Regulation by Eide Bailly, LLP.

**CURRENT AUDIT FINDINGS AND RECOMMENDATIONS**

Federal Compliance Audit Findings:

**Finding No. 2023-006: Internal Control over Compliance**

**Type of Finding: Material Weakness**

*Assistance Listing Title:* Unemployment Insurance

*Assistance Listing Number:* 17.225

*Federal Agency:* Department of Labor

*Category of Finding:* Special Tests and Provisions - UI Reemployment Programs

**Criteria:**

The Reemployment Services and Eligibility Assessments (RESEA) program serves as one of the Unemployment Insurance (UI) program's primary programs that facilitates the reemployment needs of UI claimants. RESEA is authorized by Section 306 of the Social Security Act and uses an evidence-based integrated approach that combines an eligibility assessment for continuing UI eligibility and the provision of reemployment services. Operating guidance for the RESEA program is updated annually through UIPL's. The RESEA program requires quarterly performance reporting to which UI staff are required to review the RESEA performance reports prior to submission.

**Condition:**

Based on our testing performed, we identified that there was not a control in place for the review of the required performance reports by an individual of UI staff prior to submission.

**Cause:**

An internal control was not designed to ensure that the required performance reports were being reviewed by UI staff prior to submission.

**Effect:**

Failure to review reports prior to their submission could result in errors in the reported information being submitted and is required by RESEA program guidance.

**Questioned Costs:**

None reported.

**Context/Sampling:**

A nonstatistical sample of 4 quarterly reports out of 8 total quarterly reports were selected for testing.



**STATE OF SOUTH DAKOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2023**

DEPARTMENT OF LABOR AND REGULATION  
(Continued)

Repeat Finding from Prior Year(s):

No.

Recommendation:

We recommend management designate a knowledgeable individual from UI staff to review the performance report and its content for accuracy and reasonableness, and document their review for audit documentation purposes, prior to the submission of the report.

Views of Responsible Officials:

Management agrees with the finding.

**STATE OF SOUTH DAKOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2023**

SOYBEAN RESEARCH AND PROMOTION COUNCIL

The following was issued under a separate audit of the Soybean Research and Promotion Council by Eide Bailly, LLP.

**CURRENT AUDIT FINDING AND RECOMMENDATION**

Financial Statement Audit Finding:

**Finding No. 2023-007: Preparation of Financial Statements**

**Type of Finding: Significant Deficiency**

**Criteria:**

Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.

**Condition:**

We were requested as auditors to draft the financial statements and accompanying notes to the financial statements.

**Cause:**

The Council does not have an internal control system designed to provide for the preparation of the financial statements being audited.

**Effect:**

This deficiency results in a reasonable possibility that the Council would not be able to draft the financial statements and accompanying notes to the financial statements that are correct without the assistance of the auditors. As auditors, we proposed adjustments in an amount that may not have been identified as a result of the Council's existing internal controls.

**Recommendation:**

While we recognize that this condition is not unusual for an organization of your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial accounting and reporting requirements of the Council, as well as changes in these requirements.

**Views of Responsible Officials:**

We have designated a member of management to review the propriety of the draft financial statements and accompanying notes to the financial statements.

**STATE OF SOUTH DAKOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2023**

SOUTH DAKOTA CORN UTILIZATION COUNCIL

The following was issued under a separate audit of the South Dakota Corn Utilization Council by Eide Bailly, LLP.

**CURRENT AUDIT FINDINGS AND RECOMMENDATIONS**

Financial Statement Audit Finding:

**Finding No. 2023-008: Preparation of Financial Statements**

**Type of Finding: Significant Deficiency**

Criteria:

Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct. In addition, it was noted that a restatement was necessary due to the lack of proper controls over financial reporting.

Condition:

The Council does not have an internal control system designed to provide for the preparation of the financial statements being audited. We were requested to draft the financial statements and accompanying notes to the financial statements.

Cause:

The Council does not have an internal control system designed to provide for the preparation of the financial statements being audited.

Effect:

This deficiency results in a reasonable possibility that the Council would not be able to draft the financial statements and accompanying notes to the financial statements that are correct without the assistance of the auditors.

Recommendation:

While we recognize that this condition is not unusual for an organization of your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial accounting and reporting requirements of the Council as well as changes in these requirements.

Views of Responsible Officials:

Management and the Board of Directors will review for propriety the draft financial statements and accompanying notes to the financial statements.

**STATE OF SOUTH DAKOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2023**

SOUTH DAKOTA CORN UTILIZATION COUNCIL  
(Continued)

The following was issued under a separate audit of the South Dakota Corn Utilization Council by Eide Bailly, LLP.

**CURRENT AUDIT FINDINGS AND RECOMMENDATIONS**

Financial Statement Audit Finding:

**Finding No. 2023-009: Segregation of Duties**

**Type of Finding: Significant Deficiency**

**Criteria:**

An effective system of internal controls depends on an adequate segregation of duties with respect to the execution and recording of transactions, as well as the custody of an entity's assets. Accordingly, an effective system of internal control will be designed such that these functions are performed by different employees, so that no one individual handles a transaction from its inception to its completion.

**Condition:**

The Council has a limited number of office personnel, which prevents an ideal segregation of duties for controls over financial reporting. The oversight and review process by management for various account reconciliations is not formally documented.

**Cause:**

Management oversight is done on an informal basis.

**Effect:**

The lack of segregation of duties increases the risk of fraud related to misappropriation of assets, financial statement misstatement, or both.

**Recommendation:**

Management and the Board should continually be aware of the financial accounting and reporting requirements of the Council. Under this situation, the most effective control is the board's oversight and knowledge of matters relating to the operations of the Council.

**Views of Responsible Officials:**

The Board of Directors performed various oversight roles throughout the year but is aware of the risk relating to the limited staff performing the daily activities and is in the process of reviewing internal controls.

**STATE OF SOUTH DAKOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2023**

SOUTH DAKOTA WHEAT UTILIZATION, RESEARCH AND MARKET DEVELOPMENT  
COMMISSION

The following was issued under a separate audit of the South Dakota Wheat Utilization, Research and Market Development Commission by Eide Bailly, LLP.

**CURRENT AUDIT FINDINGS AND RECOMMENDATIONS**

Financial Statement Audit Finding:

**Finding No. 2023-010: Preparation of Full Disclosure Financial Statements**

**Type of Finding: Significant Deficiency**

**Criteria:**

Proper controls over financial reporting include the ability to prepare the financial statements with accompanying notes to the financial statements that are materially correct and include all required disclosures.

**Condition:**

The Commission does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

**Cause:**

The Commission has limited staff. They cannot justify having an individual on staff with the proper accounting skills necessary for preparing the draft financial statements and accompanying notes to the financial statements.

**Effect:**

Inadequate controls over financial reporting of the Commission could result in the likelihood that the Commission would not be able to draft the financial statements with accompanying notes to the financial statements without the assistance of the auditors.

**Recommendation:**

While we recognize that this condition is not unusual for an organization of your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial accounting and reporting requirements of the Commission as well as changes in these requirements.

**Views of Responsible Officials:**

Since it is not cost-effective for an organization of our size to have an individual on staff to prepare audit-ready financial statements, we have chosen to hire Eide Bailly, a public accounting firm, to prepare our financial statements as part of the annual audit. Management and the Board of Directors will review for propriety the draft financial statements and accompanying notes to the financial statements.

**STATE OF SOUTH DAKOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2023**

SOUTH DAKOTA WHEAT UTILIZATION, RESEARCH AND MARKET DEVELOPMENT  
COMMISSION  
(Continued)

The following was issued under a separate audit of the South Dakota Wheat Utilization, Research and Market Development Commission by Eide Bailly, LLP.

**CURRENT AUDIT FINDINGS AND RECOMMENDATIONS**

Financial Statement Audit Finding:

**Finding No. 2023-011: Lack of Proper Segregation of Duties**

**Type of Finding: Significant Deficiency**

**Criteria:**

In order to achieve a high level of internal control, the functions of executing transactions, recording transactions and maintaining accountability for assets should be performed by different employees or be maintained under dual control.

**Condition:**

The Commission did not have an internal control system to allow for the proper segregation of duties in certain areas of the accounting function. The oversight and review process by management, such as the monthly bank reconciliation and monthly financial reports, is not formally documented.

**Cause:**

The Commission has limited staff and cannot justify hiring an additional individual in order to better segregate accounting duties. Management oversight is done on an informal basis.

**Effect:**

Proper segregation of duties helps to minimize the chance of undetected errors or defalcations, since the work of one person is reviewed by the work of another.

**Recommendation:**

Due to the small size of the office, the Commission is limited in the options available to them. Under this situation, the most effective control is management and the board's oversight and knowledge of matters relating to the operations of the Commission.

**Views of Responsible Officials:**

We have evaluated the segregation of duties over the receipts function and over the disbursement function. Management and the board of directors will exercise oversight of the accounting functions, which we believe mitigates the risk of material misstatement to an acceptable level.





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***AUDITEE PREPARED  
CORRECTIVE ACTION  
PLANS***

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***AUDITEE PREPARED  
CORRECTIVE ACTION  
PLANS***

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**STATE OF SOUTH DAKOTA**  
**AUDITEE PREPARED CORRECTIVE ACTION PLANS**  
**For the Fiscal Year Ended June 30, 2023**

**DEPARTMENT OF AGRICULTURE AND NATURAL RESOURCES**

**Finding No. 2023-001: Inadequate Internal Controls over Financial Reporting**

*Corrective Action Plan:* The board will ensure that each statement and supporting documents will be reviewed by separate Department of Agriculture and Natural Resources individual staff before they are submitted by the department for audit.

*Contact Person:* Darcy Keiser, Director of Finance

*Anticipated Completion Date:* The control will be added immediately; however, the review will only occur once the financial statements are being prepared.

**STATEWIDE FINANCIAL REPORTING PROCESS**

**Finding No. 2023-002: Ineffective Internal Controls over Financial Reporting**

*Corrective Action Plan:* The State has a robust internal control framework that supports the operational, reporting, and compliance objectives of the State, including the commitment to timely and accurate financial reporting. This framework is designed to provide reasonable assurance those objectives are met. Internal controls are continuously evaluated and improved to ensure the State is effectively and efficiently meeting these objectives.

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

*Anticipated Completion Date:* Ongoing

**DEPARTMENT OF PUBLIC SAFETY**

**Finding No. 2023-003: Inadequate Internal Controls over Federal Funding Accountability and Transparency Act (FFATA) Reporting**

*Corrective Action Plan:* The following are the actions that will be taken to come into compliance with FFATA on our Public Assistance Disaster Grants:

- The Assistant Finance officer will work on getting all past due records updated for FFATA, including the FY24 records, by May 31, 2024.
- Office of Emergency Management's, Recovery Branch Chief will review project worksheets and make sure the finance office has all updated information on any increases or decreases to all project worksheets for open disasters.
- By May 31, 2024, the Director of Administrative Services and Assistant Finance officer will review our current processes and procedures for FFATA reporting for the Department of Public Safety. Make updates to that process to include internal controls ensuring reporting is done timely and accurately.

*Contact Person:* Angie Lemieux, Director of Administrative Services

*Anticipated Completion Date:* May 31, 2024

**STATE OF SOUTH DAKOTA**  
**AUDITEE PREPARED CORRECTIVE ACTION PLANS**  
**For the Fiscal Year Ended June 30, 2023**

**DEPARTMENT OF SOCIAL SERVICES**

**Finding No. 2023-004: Inadequate Controls over the Payment of Claims**

*Corrective Action Plan:* The claim initiation duties have been separated from the claim approval responsibilities. When a claim is initiated in FACIS, that request can only be approved by someone with permissions to review and approve claims on the case. Reviewing and approving authorizations on the FACIS system can only be issued to an individual on CPS staff who does not have claim entry responsibilities. Payment is generated only after approval is completed.

During the period audited, the FACIS system did not save information about which staff member had approved the claim. This left no record to verify the name and date for claim approvals.

*Contact Person:* Jason Simmons, Chief Financial Officer, Department of Social Services

*Anticipated Completion Date:* In state fiscal year 2024, FACIS was updated to fully document this information for later retrieval and review, essentially the implementation of this corrective action plan prior to the completion of DLA's audit; therefore, this finding has been corrected.

**SOUTH DAKOTA DEPARTMENT OF LABOR AND REGULATION**  
**UNEMPLOYMENT INSURANCE FUND**

The following was issued under a separate audit of the South Dakota Department of Labor and Regulation Unemployment Insurance Fund by Eide Bailly, LLP.

**Finding No. 2023-005: Material Weakness in Internal Control over Compliance - Reporting**

*Corrective Action Plan:*

1. The DLR RA Management Analyst will prepare and submit all ETA Reports (Preparer).
  - a. The Management Analyst will initially enter all data into the report and ensure its initial accuracy.
  - b. The Management Analyst will also be responsible for addressing any warning message(s) or error message(s) that are generated by the reporting system.
  - c. Once the data has been entered and all warning and error messages have been addressed, the Management Analyst will notify the DLR RA Senior Internal Auditor that the ETA Report is complete and ready for their review.
2. The DLR RA Senior Internal Auditor will Review and Sign Off on all ETA reports (Reviewer)
  - a. The Senior Auditor will review the completed report to ensure its accuracy.
  - b. If an issue is found during the review, it will be researched and corrected.
  - c. Once the Senior Internal Auditor has verified all data elements within the report are correct, they will email the Management Analyst signing off on the data presented and give approval for the Management Analyst to submit the final report.
3. The Management Analyst submits the final report.

**STATE OF SOUTH DAKOTA**  
**AUDITEE PREPARED CORRECTIVE ACTION PLANS**  
**For the Fiscal Year Ended June 30, 2023**

**SOUTH DAKOTA DEPARTMENT OF LABOR AND REGULATION**  
**UNEMPLOYMENT INSURANCE FUND**

(Continued)

4. Once submitted, the Management Analyst will print the submitted copy of the final report to PDF.
5. Once in PDF form, the Management Analyst will add the following notes:
  - a. Prepared By: [Name]
  - b. Date and Time
  - c. Reviewed By: [Name]
  - d. Date and Time
6. With the "Prepared/Reviewed Note" added, it is now considered the "Finalized Report."
7. The Management Analyst will save an electronic copy of the Finalized Report along with copies of any supporting documentation and any email communications between the "Preparer" and the "Reviewer" to the QA records to be retained according to DLR Record Retention policies.
8. All RA Staff can access all finalized reports through the RA MS SharePoint site.

*Contact Person:* Pauline Heier, Director, Reemployment Assistance

*Anticipated Completion Date:* No anticipated completion date was listed in the separately issued audit report.

**Finding No. 2023-006: Material Weakness in Internal Control over Compliance - Special Tests and Provisions**

*Corrective Action Plan:*

1. The DLR RA Management Analyst will prepare and submit all ETA Reports (Preparer).
  - a. The Management Analyst will initially enter all data into the report and ensure its initial accuracy.
  - b. The Management Analyst will also be responsible for addressing any warning message(s) or error message(s) that are generated by the reporting system.
  - c. Once the data has been entered and all warning and error messages have been addressed, the Management Analyst will notify the DLR RA Senior Internal Auditor that the ETA Report is complete and ready for their review.
2. The DLR RA Senior Internal Auditor will Review and Sign Off on all ETA reports (Reviewer)
  - a. The Senior Auditor will review the completed report to ensure its accuracy.
  - b. If an issue is found during the review, it will be researched and corrected.
  - c. Once the Senior Internal Auditor has verified all data elements within the report are correct, they will email the Management Analyst signing off on the data presented and give approval for the Management Analyst to submit the final report.
3. The Management Analyst submits the final report.
4. Once submitted, the Management Analyst will print the submitted copy of the final report to PDF.
5. Once in PDF form, the Management Analyst will add the following notes:
  - a. Prepared By: [Name]
  - b. Date and Time

**STATE OF SOUTH DAKOTA**  
**AUDITEE PREPARED CORRECTIVE ACTION PLANS**  
**For the Fiscal Year Ended June 30, 2023**

**SOUTH DAKOTA DEPARTMENT OF LABOR AND REGULATION**  
**UNEMPLOYMENT INSURANCE FUND**

(Continued)

- c. Reviewed By: [Name]
- d. Date and Time
- 6. With the "Prepared/Reviewed Note" added, it is now considered the "Finalized Report."
- 7. The Management Analyst will save an electronic copy of the Finalized Report along with copies of any supporting documentation and any email communications between the "Preparer" and the "Reviewer" to the QA records to be retained according to DLR Record Retention policies.
- 8. All RA Staff can access all finalized reports through the RA MS SharePoint site.

*Contact Person:* Pauline Heier, Director, Reemployment Assistance

*Anticipated Completion Date:* No anticipated completion date was listed in the separately issued audit report.

**SOUTH DAKOTA SOYBEAN RESEARCH AND PROMOTIONAL COUNCIL**

The following was issued under a separate audit of the South Dakota Soybean Research and Promotional Council by Eide Bailly, LLP.

**Finding No. 2023-007: Preparation of Financial Statements**

*Corrective Action Plan:* We have designated a member of management to review the propriety of the draft financial statements and accompanying notes to the financial statements.

*Contact Person:* No contact person was listed in the separately issued audit report.

*Anticipated Completion Date:* No anticipated completion date was listed in the separately issued audit report.

**SOUTH DAKOTA CORN UTILIZATION COUNCIL**

The following was issued under a separate audit of the South Dakota Corn Utilization Council by Eide Bailly, LLP.

**Finding No. 2023-008: Preparation of Financial Statements**

*Corrective Action Plan:* Management and the board of directors will review for propriety the draft financial statements and accompanying notes to the financial statements.

*Contact Person:* No contact person was listed in the separately issued audit report.

*Anticipated Completion Date:* No anticipated completion date was listed in the separately issued audit report.

**STATE OF SOUTH DAKOTA  
AUDITEE PREPARED CORRECTIVE ACTION PLANS  
For the Fiscal Year Ended June 30, 2023**

**SOUTH DAKOTA CORN UTILIZATION COUNCIL  
(Continued)**

**Finding No. 2023-009: Segregation of Duties**

*Corrective Action Plan:* The Board of Directors performed various oversight roles throughout the year but is aware of the risk relating to the limited staff performing the daily activities and is in the process of reviewing internal controls.

*Contact Person:* No contact person was listed in the separately issued audit report.

*Anticipated Completion Date:* No anticipated completion date was listed in the separately issued audit report.

**SOUTH DAKOTA WHEAT UTILIZATION, RESEARCH  
AND MARKET DEVELOPMENT COMMISSION**

The following was issued under a separate audit of the South Dakota Wheat Utilization, Research and Market Development Commission by Eide Bailly, LLP.

**Finding No. 2023-010: Preparation of Full Disclosure Financial Statements**

*Corrective Action Plan:* Since it is not cost-effective for an organization of our size to have an individual on staff to prepare audit-ready financial statements, we have chosen to hire Eide Bailly, a public accounting firm, to prepare our financial statements as part of the annual audit. Management and the board of directors will review for propriety the draft financial statements and accompanying notes to the financial statements.

*Contact Person:* No contact person was listed in the separately issued audit report.

*Anticipated Completion Date:* No anticipated completion date was listed in the separately issued audit report.

**Finding No. 2023-011: Lack of Proper Segregation of Duties**

*Corrective Action Plan:* We have evaluated the segregation of duties over the receipts function and over the disbursement function. Management and the board of directors will exercise oversight of the accounting functions, which we believe mitigates the risk of material misstatement to an acceptable level.

*Contact Person:* No contact person was listed in the separately issued audit report.

*Anticipated Completion Date:* No anticipated completion date was listed in the separately issued audit report.





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

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

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**STATE OF SOUTH DAKOTA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Fiscal Year Ended June 30, 2023**

**SOUTH DAKOTA SCIENCE AND TECHNOLOGY AUTHORITY**

The following was issued under a separate audit of the South Dakota Science and Technology Authority by Eide Bailly, LLP.

**Finding No. 2022-001: Restatement and Material Audit Adjustments**

*Initial Year of Finding:* Fiscal Year 2022

*Status:* Fully Corrected – Corrective Action was Taken

**Finding No. 2022-002: Internal Controls Over Compliance – Procurement, Suspension and Debarment**

*Initial Year of Finding:* Fiscal Year 2022

*Status:* Fully Corrected – Corrective Action was Taken

**DEPARTMENT OF TRANSPORTATION**

**Finding No. 2022-003: Inadequate Internal Controls Over Federal Financial Reports**

*Initial Year of Finding:* Fiscal Year 2021

*Status:* Fully Corrected – Corrective Action was Taken

**DEPARTMENT OF HUMAN SERVICES**

**Finding No. 2022-004: Inadequate Controls Over Subrecipient Monitoring of Nutrition Service Providers**

*Initial Year of Finding:* Fiscal Year 2022

*Status:* Fully Corrected – Corrective Action was Taken

**STATE OF SOUTH DAKOTA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the Fiscal Year Ended June 30, 2023**

**SOUTH DAKOTA SOYBEAN RESEARCH AND PROMOTION COUNCIL**

The following was issued under a separate audit of the South Dakota Soybean Research and Promotion Council by Eide Bailly, LLP.

**Finding No. 2022-005: Preparation of Financial Statements**

*Initial Year of Finding:* Fiscal Year 2010

*Status:* Repeat audit finding issued in Fiscal Year 2023 Single Audit – see Finding No. 2023-007

*Reason for Recurrence:* No reason given.

**SOUTH DAKOTA PUBLIC BROADCASTING**

The following was issued under a separate audit of the South Dakota Public Broadcasting by Eide Bailly, LLP.

**Finding No. 2022-006: Segregation of Duties**

*Initial Year of Finding:* Fiscal Year 2021

*Status:* Fully Corrected – Corrective Action was Taken

**SOUTH DAKOTA CORN UTILIZATION COUNCIL**

The following was issued under a separate audit of the South Dakota Corn Utilization Council by Eide Bailly, LLP.

**Finding No. 2022-007: Preparation of Financial Statements and Restatement**

*Initial Year of Finding:* Fiscal Year 2010

*Status:* Repeat audit finding issued in Fiscal Year 2023 Single Audit – see Finding No. 2023-008

*Reason for Recurrence:* No reason given.

**Finding No. 2022-008: Segregation of Duties**

*Initial Year of Finding:* Fiscal Year 2021

*Status:* Repeat audit finding issued in Fiscal Year 2023 Single Audit – see Finding No. 2023-009

*Reason for Recurrence:* No reason given.

**STATE OF SOUTH DAKOTA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Fiscal Year Ended June 30, 2023**

**SOUTH DAKOTA WHEAT UTILIZATION, RESEARCH  
AND MARKET DEVELOPMENT COMMISSION**

The following was issued under a separate audit of the South Dakota Wheat Utilization, Research and Market Development Commission by Eide Bailly, LLP.

**Finding No. 2021-018: Preparation of Full Disclosure Financial Statements**

*Initial Year of Finding:* Fiscal Year 2021

*Status:* Repeat audit finding issued in Fiscal Year 2023 Single Audit – see Finding No. 2023-010

*Reason for Recurrence:* No reason given.

**Finding No. 2021-019: Lack of Proper Segregation of Duties**

*Initial Year of Finding:* Fiscal Year 2021

*Status:* Repeat audit finding issued in Fiscal Year 2023 Single Audit – see Finding No. 2023-011

*Reason for Recurrence:* No reason given.

**SOUTH DAKOTA DEPARTMENT OF LABOR AND REGULATION  
UNEMPLOYMENT INSURANCE FUND**

The following was issued under a separate audit of the South Dakota Department of Labor and Regulation Unemployment Insurance Fund by Eide Bailly, LLP.

**Finding No. 2020-005: Special Tests and Provisions – UI Reemployment Programs**

*Initial Year of Finding:* Fiscal Year 2020

*Status:* Planned corrective action previously reported partially completed. Those planned corrective actions previously reported indicated below:

- Development has started to extract the data from the RESEA review forms in SD WORKS and automatically upload it to the RA system. Additionally, the processes will utilize review logic to flag potential eligibility issues for RA staff to review and make a determination for eligibility/compliance.
  - Corrective action completed and taken.
- Additional development is underway to create an automated process for sharing of relevant case note/fact-finding information between SDWORKS and the RA system. This sharing of relevant case information will reduce the risk of miscommunication between divisions and contribute to timeliness and accuracy of claimant activity tracking.
  - Corrective action completed and taken.

**STATE OF SOUTH DAKOTA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the Fiscal Year Ended June 30, 2023**

**SOUTH DAKOTA DEPARTMENT OF LABOR AND REGULATION**  
**UNEMPLOYMENT INSURANCE FUND**

(Continued)

- Development is planned to automate processes between SDWORKS and the RA system where the system will monitor claimant activity and, if scheduled activities are missed, will automatically insert and/or remove a hold on payment of a claim for non-compliance with DLR RESEA requirements.
  - South Dakota has completed testing for compliance issues. Case notes to fact finding was implemented in August 2023, and is working as it is intended. Automation for non-compliance issues has been tested and will be implemented once staff are trained on the functionality, which is scheduled in October 2023.
- Labor Program Specialists overseeing the RESEA grant will provide training to staff on program improvements set to launch in January 2021. This training will emphasize the need for communication with the RA Division.
  - Corrective action completed and taken.



