



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



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

**STATE OF SOUTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2021
Index**

Summary of Auditor's Results			<u>Page</u> 240
Schedule of Findings and Questioned Costs			242
<u>Summary of Findings and Questioned Costs for Federal Awards:</u>			
<u>State Agency</u>	<u>Federal Agency</u>	<u>Finding Number</u>	<u>Page</u>
<i>Non-Compliance Finding:</i>			
Department of Transportation	DOT	2021-010	257
<i>Material Weakness:</i>			
Department of Transportation	DOT	2021-010	257
<i>Significant Deficiency:</i>			
Department of Health	DHHS	2021-008	253
Coronavirus Relief Fund	TREAS	2021-009	255
<u>Summary of State Audit Findings:</u>			
<i>Financial Statement Findings:</i>			
Department of Revenue		2021-001	242
Department of Revenue		2021-003	246
Economic Development Finance Authority		2021-004	248
Statewide Financial Reporting Process		2021-005	250
Unemployment Insurance Fund		2021-006	251
Unemployment Insurance Fund		2021-007	252
Soybean Research and Promotion Council		2021-011	259
South Dakota Public Broadcasting		2021-012	260
South Dakota Public Broadcasting		2021-013	261
South Dakota Public Broadcasting		2021-014	262
Corn Utilization Council		2021-015	263
Corn Utilization Council		2021-016	264
Corn Utilization Council		2021-017	265
Wheat Utilization, Research and Market Development Commission		2021-018	267
Wheat Utilization, Research and Market Development Commission		2021-019	268
Wheat Utilization, Research and Market Development Commission		2021-020	269
<i>State Compliance Findings:</i>			
Department of Revenue		2021-002	244
Corn Utilization Council		2021-017	265
Wheat Utilization, Research and Market Development Commission		2021-020	269

**STATE OF SOUTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2021**

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?	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 2 CFR 200.516(a)?	Yes

Identification of major federal programs:

Assistance

Listing

<u>Numbers</u>	<u>Name of Federal Program or Cluster</u>
	Medicaid Cluster
	Highway Planning and Construction Cluster
	SNAP Cluster
	Child Care and Development Fund Cluster
10.542	Pandemic EBT Food Benefits
12.400	Military Construction, National Guard
16.575	Crime Victim Assistance
20.509	Formula Grants for Rural Areas and Tribal Transit Program
20.933	National Infrastructure Investments
20.934	Nationally Significant Freight and Highway Projects
21.019	Coronavirus Relief Fund
84.425	Education Stabilization Fund

**STATE OF SOUTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2021**

93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)
93.568	Low-Income Home Energy Assistance
97.039	Hazard Mitigation Grant (HMGP)

Dollar threshold used to distinguish between Type A and Type B programs - \$10,500,000

Auditee Qualified as low-risk auditee?	No
--	----

**STATE OF SOUTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2021**

DEPARTMENT OF REVENUE

CURRENT AUDIT FINDINGS AND RECOMMENDATIONS

Financial Statement Audit Finding:

Finding No. 2021-001: Inadequate internal controls over the distribution of snowmobile license fees

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.

The Government Accountability Office – Standards for Internal Control in the Federal Government principle of internal control 12 states:

The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.

South Dakota Codified Law (SDCL) 32-5-9.1 states:

License fees for snowmobiles, payable under § 32-5-5, shall be ten dollars per snowmobile for a one-year period.

South Dakota Codifies Law (SDCL) 32-5-9.2 states:

Two dollars of each fee collected under § 32-5-9.1 shall be credited to the motor vehicle fund and the balance of the license fees...

Condition:

The Department of Revenue (DOR) did not distribute the snowmobile license fees to the Motor Vehicle Fund for the months of June 2020, July 2020, August 2020, September 2020, and October 2020 per SDCL 32-5-9.2. It was also noted during research that distributions were missed April 2018, May 2018, and June 2018.

In the 2012 legislative session, SDCL 32-5-9.1 was changed from a \$20 fee every two years to a \$10 fee every year. This change became effective July 1, 2012 (Fiscal Year 2013). SDCL 32-5-9.2 remained unchanged.

**STATE OF SOUTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2021**

**DEPARTMENT OF REVENUE
(Continued)**

Prior to July 1, 2012, the calculation was 10% of the snowmobile license fees are distributed to the Motor Vehicle Fund and 90% of the fees are distributed to the Snowmobile Trails Fund. After the SDCL change effective July 1, 2012 the calculation should have been changed to 20% to Motor Vehicle Fund and 80% to Snowmobile Trails Fund.

DOR continued to use the 90/10 split for the distribution after July 1, 2012.

Cause:

Internal controls over the distribution of snowmobile license fees were inadequate to ensure that applicable laws were followed.

Effect:

DOR was not in compliance with SDCL 32-5-9.2.

During the last five fiscal years, DOR Motor Vehicle Fund was understated by \$64,197.84 and GFP Snowmobile Trails Fund was overstated by \$64,197.84.

Fiscal Year	GFP Snowmobile Trails Fund	DOR Motor Vehicle Fund
FY17	\$ 12,518.81	\$ (12,518.81)
FY18	\$ 14,925.72	\$ (14,925.72)
FY19	\$ 12,141.22	\$ (12,141.22)
FY20	\$ 12,154.66	\$ (12,154.66)
FY21 (July – March)	\$ 12,457.43	\$ (12,457.43)
Five Year Total	\$ 64,197.84	\$ (64,197.84)

Repeat Finding from Prior Year:

No

Recommendation:

We recommend internal controls be strengthened to ensure that distributions are properly updated and calculated.

Views of Responsible Officials:

The Department of Revenue concurs with the finding.

**STATE OF SOUTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2021**

DEPARTMENT OF REVENUE
(Continued)

CURRENT AUDIT FINDINGS AND RECOMMENDATIONS

State Compliance Audit Finding:

Finding No. 2021-002: Inadequate internal controls over cash receipting

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.

The Government Accountability Office – Standards for Internal Control in the Federal Government principle of internal control 12 states:

The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.

South Dakota Codified Law (SDCL) 4-3-4.2 states:

All money, emoluments, and perquisites other than personal salary received by any officer or employee of this state shall be remitted to the state treasury by the end of the working day following the day money is received or as specified by the state treasurer. The state treasurer shall establish rules and regulations to assure accountability.

Administrative Rules of South Dakota (ARSD) 6:03:01:01 states:

Remittance deadlines. Funds destined for the state treasurer's office may be held for more than one working day if the amount to be remitted is under \$500. However, all funds held by an agency shall be remitted every Thursday.

Condition:

We noted four checks from our sample of forty were held longer than allowed by SDCL 4-3-4.2 and ARSD 6:03:01:01.

Cause:

Internal controls were inadequate over the cash receipting process.

**STATE OF SOUTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2021**

**DEPARTMENT OF REVENUE
(Continued)**

Effect:

The Department of Revenue is not in compliance with SDCL 4-3-4.2 and ARSD 6:03:01:01.

Repeat Finding from Prior Year:

No

Recommendation:

We recommend internal controls be strengthened to ensure that receipts are deposited timely and intact.

Views of Responsible Officials:

The Department of Revenue concurs with the finding.

**STATE OF SOUTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2021**

DEPARTMENT OF REVENUE
(Continued)

CURRENT AUDIT FINDINGS AND RECOMMENDATIONS

Financial Statement Audit Finding:

Finding No. 2021-003: Inadequate internal controls over the distribution of local government highway and bridge fund

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.

The Government Accountability Office – Standards for Internal Control in the Federal Government principle of internal control 12 states:

The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.

South Dakota Codified Law (SDCL) 32-11-37 states:

...the secretary of revenue shall apportion one-half of one percent of the local government highway and bridge fund per fiscal year to the local government transportation technology transfer special revenue fund...

Condition:

The Department of Revenue (DOR) distributed the incorrect amount to the Local Government Transportation Technology Transfer special revenue fund in May 2021. The DOR used the 0.5% calculated amount that was distributed to the fund in January 2021 for the May distribution.

Cause:

Internal controls over the Distribution of Local Government Highway and Bridge Fund were inadequate.

Effect:

DOR was not in compliance with SDCL 32-11-37.

STATE OF SOUTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2021

DEPARTMENT OF REVENUE
(Continued)

DOR distributed \$73,168.35 to the Local Government Transportation Technology Transfer special revenue fund in May 2021. This was the calculated amount for the prior distribution in January 2021. For May 2021, the 0.5% calculated amount that should have been distributed to the Local Government Transportation Technology Transfer special revenue fund was \$126,820.46. This error resulted in the Local Government Transportation Technology Transfer special revenue fund being understated by \$53,652.11.

This also resulted in the amount to be distributed to the counties, townships and cities being overstated by \$53,652.11.

Repeat Finding from Prior Year:

No

Recommendation:

We recommend internal controls be strengthened to ensure that the Local Government Transportation Technology Transfer special revenue fund distribution is properly calculated and distributed.

Views of Responsible Officials:

The Department of Revenue concurs with the finding.

**STATE OF SOUTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2021**

STATEWIDE FINANCIAL REPORTING PROCESS

CURRENT AUDIT FINDING AND RECOMMENDATION

Financial Statement Audit Finding:

Finding No. 2021-005: 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 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 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:

Yes

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.

Views of Responsible Officials:

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

**STATE OF SOUTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2021**

CORONAVIRUS RELIEF FUND

CURRENT AUDIT FINDING AND RECOMMENDATION

Federal Compliance Audit Finding:

Finding No. 2021-009: Inadequate procedures over grant disbursements

Type of Finding: Significant Deficiency

CFDA Title: Coronavirus Relief Fund (CRF)

CFDA Number: 21.019

Federal Award Year: 2020

Federal Agency: Department of Treasury

Type of Finding: Significant Deficiency

Category of Finding: Allowable Costs/Cost Principles

Questioned Costs: \$533,915.88

Criteria:

The Government Accountability Office – *Standards for Internal Control in the Federal Government* principle of internal control principle 10 states, “Management should design control activities to achieve objectives and respond to risks.” Common examples of control activities include the proper execution of transactions and the appropriate documentation of transactions.

The Federal Register Volume 86, number 10, dated January 15, 2021, frequently asked question 59 states that if a grant is being provided to a small business from the Coronavirus Relief Fund, the recipient must take into account the business’ receipt of a paycheck protection program loan (PPP) or economic injury disaster recovery loan (EIDL) loan or grant.

The State’s program overview for small business grants provided a grant calculation to be used in determining the eligible amount for the reduction in business grants. The eligible amount for the reduction in business grant was calculated using the 2019 cash flow from operations and subtracting the 2020 cash flow from operations and any federal COVID-19 aid. The State further defined federal COVID-19 aid as; 1) paycheck protection program loans (PPP), 2) economic injury disaster recovery loans (EIDL), 3) coronavirus food assistance program (CFAP) and 4) any other COVID-19 federal payment or grant.

Condition:

The following were noted during testing:

1. Fourteen instances were noted where COVID-19 federal assistance was not reduced from the amount of the small business grant that was awarded.
2. One instance was noted where a healthcare provider was paid a grant from the CRF based upon the number of beds authorized by the Department of Health. Documentation indicated that the healthcare provider has multiple federal taxpayer identification numbers as it operates numerous facilities through the State. It appears that \$275,000 was paid for 25 critical access hospital beds to the healthcare provider using the wrong federal taxpayer identification number.

**STATE OF SOUTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2021**

**CORONAVIRUS RELIEF FUND
(Continued)**

Cause:

Procedures were not adequate to ensure that the correct federal taxpayer identification numbers were used. The State utilized a third party to provide grant management services for a portion of the CRF grant. Errors were made in the grant calculations.

Effect:

Unallowable or unsupported costs were incurred from the CRF grant.

Questioned Costs:

Auditor calculated overpayments for small business CRF grants where the award was not reduced for other federal assistance received. Questioned costs were \$533,915.88.

Further Information:

Small Business Grants:

From a sample of 60 payments made from the CRF, 19 payments tested were for small business grants. Two instances were noted where federal assistance (CFAP) was not reduced from the amount being calculated for the small business grant and one instance was noted where documentation of the reduction in net income was not present. Forty-one additional small business grants were selected and were reviewed for adequate support and determination that if federal assistance was received, that it was properly included in the grant formula. One additional instance was noted where CFAP was not included in the formula, however it did not affect the grant amount. Testing was further expanded to include 104 small business recipients that had a high risk of receiving CFAP assistance. Thirty-five did receive CFAP or other federal assistance and 12 of those did not have the assistance properly reduced from the grant amount. The State has instructed the third-party administrator to review the small business grants awarded for potential payment errors and has engaged an accounting firm to perform monitoring activity over the awards. This includes the exceptions noted in this finding.

High Impact Grants:

High impact grants were awarded to healthcare providers based upon the number of beds authorized by the Department of Health. The worksheet provided for testing contained the provider's federal taxpayer identification number, name and number of beds. Support for the number of beds initially could not be located so the occupancy reports on the Department of Health's website were used. Of the seven tested, one instance was noted where the number of beds did not agree for one provider's critical access bed count. Testing was expended to verify the number of beds authorized for all hospital, assisted living and nursing home providers. No further problems were noted. Subsequent documentation indicated that the discrepancy noted was the payment being made to the wrong federal taxpayer identification number.

Repeat Finding from Prior Year:

No

Recommendation:

We recommend procedures be strengthened to ensure proper payment from grant funds.

Views of Responsible Officials:

The State 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, 2021

DEPARTMENT OF REVENUE

Finding No. 2021-001: Inadequate Internal Controls Over the Distribution of Snowmobile License Fees

Corrective Action Plan: The Department of Revenue worked with the Department of Game, Fish and Parks and corrected the FY21 distribution. Further, the distribution calculation has been corrected for future distributions. Finally, several years ago, the Department of Revenue adopted a legislative implementation process, led by the Deputy Secretary, to review all legislation affecting the department and document the impact of passed legislation with regard to finance, technology, and communication. Regular follow up and documentation ensure necessary changes are made to be compliant with state law.

Contact Person: Justin Nagel, Deputy Director of Finance & Internal Controls

Anticipated Completion Date: June 1, 2021

Finding No. 2021-002: Inadequate Internal Controls Over Cash Receipting

Corrective Action Plan: Cash receipting is challenging because of the volume of payments received and the various licenses and fees that are collected by the department. Often, payments are remitted without information regarding how and where the payments should be applied. This generally results in communication with the taxpayer and searching through various systems and records to correctly apply the payment. In some instances, the payment should not have been sent to the Department of Revenue. Our practice has been to document and hold the payment until we can determine how to appropriately account for the money. This allows us to avoid performing corrections in various systems to accurately account for funds. However, we do agree with the Department of Legislative Audit that this practice is not in compliance with SDCL 4-3-4.2 and ARSD 6:03:01:01.

We have already implemented a number of controls to be in compliance. First, we have moved the accounting of a number of special taxes, including tobacco, alcohol, and bank franchise tax into the Cedar tax system, which allows the Remittance Center staff to research to locate the specific account information and process the payment without passing the information to another staff member for review. We have also developed a process to scan documents to staff members for quick review, as opposed to delivering checks and paperwork. This reduces the time needed to research and determine how and where to apply the payment. We have also worked with the Office of the State Treasurer and First Premier Bank to set up field offices with the ability to deposit checks using a remote deposit scanning system. This eliminates the need to mail payments from field offices into the Pierre office for processing.

STATE OF SOUTH DAKOTA
AUDITEE PREPARED CORRECTIVE ACTION PLANS
For the Fiscal Year Ended June 30, 2021

DEPARTMENT OF REVENUE
(Continued)

We will also begin to perform a daily review of the cash receipt log, as opposed to a weekly review, to ensure all monies are being deposited according to law and administrative rule, which will be performed by the Accounting Assistant. The Financial Program Assistant will verify those payments are included within the vouchers matched with deposits.

Contact Person: Toni Richardson, Director of Administration

Anticipated Completion Date: January 1, 2022

Finding No. 2021-003: Inadequate Internal Controls Over the Distribution of Local Government Highway and Bridge Fund

Corrective Action Plan: After being notified by DLA that the May 2021 Local Government Highway Bridge (LGHB) Distribution was calculated and distributed incorrectly, the DOR finance team began reviewing the procedure being used to complete this process. After lengthy review and discussion amongst the finance team, it was decided that two LGHB distribution worksheets would be completed by different DOR Finance staff working independently of each other going forward. Assuming the distribution worksheets are both completed accurately, the two should arrive at the same distribution amounts to the counties, cities, and townships and transfer amount to the Dept of Transportation Technology Fund.

Upon completion of the two independent LGHB distributions, management compares the two distributions to verify accuracy and agreement of transfer and distribution amounts. After validating, DOR management approves the processing of the payment and transfer vouchers.

This procedure has been successfully employed for the last two LGHB distributions made by the Department. Additionally, the errors that we were made with the May 2021 LGHB distribution were corrected with the July 2021 distribution.

Contact Person: Justin Nagel, Deputy Director of Finance & Internal Controls

Anticipated Completion Date: November 1, 2021

STATE OF SOUTH DAKOTA
AUDITEE PREPARED CORRECTIVE ACTION PLANS
For the Fiscal Year Ended June 30, 2021

ECONOMIC DEVELOPMENT FINANCE AUTHORITY

Finding No. 2021-004: Inadequate Internal Controls over Financial Reporting

Corrective Action Plan: The Governor's Office of Economic Development (GOED) staff acknowledge the conditions related to the finding. Government mergers of legally separate entities are very rare for the component units reported by the GOED. The act of combining the EDFA and the VAFA was unique in nature and will not be a regularly recurring event. Existing controls will be modified to include reference to GASB Statement 69 for review in the event of future mergers with other entities. The existing controls will also be revised to clearly state the inclusion of conduit debt obligations per GASBI 2. Internal processes will be modified to make best efforts to gather information on the aggregate amount of all conduit debt obligations outstanding.

Contact Person: Travis Dovre, Finance Director

Anticipated Completion Date: December 31, 2021

STATEWIDE FINANCIAL REPORTING PROCESS

Finding No. 2021-005: Ineffective Internal Controls over Financial Reporting

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

This audit finding encompasses the entire State government. The State is faced with unique situations that it must respond to and account for each year. The State strengthened controls over numerous areas including those identified in the prior year's finding. However, additional areas of concern were noted this year.

The State has an abundance of accounting and financial reporting procedures as well as preventive and detective controls in place that provide reasonable assurance these financial reporting objectives are met. 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 and implement new preventive and detective controls. We will simplify and automate procedures to improve timely and 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, 2021

DEPARTMENT OF HEALTH
(Continued)

DOH will continue to calculate the earned indirect costs monthly and will draw the earned amounts at least quarterly when administratively feasible.

Contact Person: Darcy McGuigan, Director of Finance; Nicole DeSloover, Audit and Internal Control Manager

Anticipated Completion Date: Not Applicable

CORONAVIRUS RELIEF FUND

Finding No. 2021-009: Inadequate Procedures Over Grant Disbursements

Corrective Action Plan: The State is committed to timely and accurate disbursements of all Coronavirus Relief Fund (CRF) grants to third parties. The original expenditure obligation deadline for CRF was 12/30/2020. This deadline placed extreme time constraints on the State to design the requirements of the small business and healthcare grant programs, develop a system to accept grant applications, and process grant applications for approval or denial prior to the 12/30/2020 obligation deadline. The State contracted with a third party to administer these CRF grant programs. The State and the third-party administrator implemented multiple levels of preventive and detective internal control procedures to minimize risk of errors while processing grants under this condensed timeframe. Subsequently, the State and the third-party administrator implemented additional detective controls to further reduce grant risk by requiring the third-party administrator to perform a post-program review. Additionally, the State contracted with a CPA firm to perform an agreed-upon procedures engagement evaluating the small business grant calculations. Those procedures and detective controls are in place and are functioning as intended. As of 3/03/2022, twelve of the fourteen small business grant issues have been resolved and the remaining two are being processed.

The total CRF High Impact Grant payments to the healthcare provider in question were correct. The overpayment to one federal tax identification number (TIN) of this healthcare provider was offset with an underpayment to another TIN of that same healthcare provider. The State has notified the healthcare provider of the error. Additionally, the State has established additional preventive controls to reduce risk of this error occurring in the future for similar grants.

Contact Person: Colin Keeler, Director of Financial Systems, Bureau of Finance and Management; Keith Senger, Director of Financial Reporting, Bureau of Finance and Management; Travis Dovre, Director of Finance, Governor's Office of Economic Development; Jason Simmons, Finance Officer, Department of Social Services; Steven Kohler, Finance Officer, Department of Human Services

Anticipated Completion Date: April 30, 2022