



South Dakota

Single Audit Report

for the fiscal year ended June 30, 2025



***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, 2025
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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?	Yes
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
Numbers

Name of Federal Program or Cluster

	Medicaid Cluster
	Aging Cluster
	CCDF Cluster
	Student Financial Assistance Cluster
	Fish and Wildlife Cluster
12.401	National Guard Military Operations and Maintenance (O&M) Projects
64.015	Veterans State Nursing Home Care
66.468	Drinking Water State Revolving Fund
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States
93.268	Immunization Cooperative Agreements
93.558	Temporary Assistance for Needy Families

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93.658	Foster Care Title IV-E
93.659	Adoption Assistance
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between Type A and Type B programs - \$11,000,000

Auditee Qualified as low-risk auditee? No

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BOARD OF ECONOMIC DEVELOPMENT

CURRENT AUDIT FINDING AND RECOMMENDATION

Financial Statement Audit Finding:

Finding No. 2025-001: Ineffective Internal Controls Over Financial Reporting

Type of Finding: Material Weakness

Criteria:

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

Condition:

The Revolving Economic Development Initiative Fund incorrectly reported cash transfers from other funds.

Cause:

The Revolving Economic Development Initiative Fund reported \$7,164,868 of transfers in from the Governor's Office of Economic Development Special Revenue Fund as operating revenue. Generally Accepted Accounting Principles require these transfers to be reported separately, after nonoperating revenues and expenses, on the Statement of Revenues, Expenses and Changes in Net Position. These transfers were also reported as cash flows from operating activities rather than cash flows from noncapital financing activities on the Statement of Cash Flows. Controls in place were not adequate to identify and correct this error.

Effect:

The Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows for the Revolving Economic Development Initiative Fund were materially misstated. This misstatement was corrected by management as a result of the audit.

Repeat Finding from Prior Year:

No.

Recommendation:

We recommend that controls be evaluated to ensure material misstatements are prevented in the future.

Views of Responsible Officials:

The Board of Economic Development reported the transfers in question in good faith as operating revenue based on authoritative guidance received from the State's fiscal accounting experts and from the third-party accounting firm that advises on financial reporting for the Revolving Economic Development Initiative Fund. In the view of the Chairman, the actions taken by staff are reasonable and justifiable based on the guidance received from those State fiscal accounting experts, the legal status of the REDI Fund, and the third-party accountant's advice concerning the financial statements.

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BOARD OF ECONOMIC DEVELOPMENT
(Continued)

Classification of this issue as rising to the level of a material weakness would require the issue to create a “reasonable possibility” of a material misstatement. The Board Chair believes the above-mentioned circumstances, and the resulting probability and magnitude of the potential misstatement stemming from the issue identified, would also permit DLA to choose to classify the issue as a note to the financial statements, as there is no financial impact from this misstatement in the REDI Fund financial statements. The absence of an actual material misstatement, combined with the presence of effective compensating controls, could further support determination by DLA that the risk is not material. Nevertheless, Management and the Board Chair understand that Management and auditors may at times respectfully disagree on the subjective impact of an issue identified during the course of an audit. Therefore, in the interest of finalizing the Fund’s audit and returning to its regular business, Management will nevertheless concur with DLA’s finding.

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DEPARTMENT OF REVENUE

CURRENT AUDIT FINDING AND RECOMMENDATIONS

Financial Statement Audit Finding:

Finding No. 2025-002: Ineffective Internal Controls Over the Calculation of Motor Vehicle Excise Tax

Type of Finding: Significant Deficiency

Criteria:

The Government Accountability Office – Standards for Internal Control in the Federal Government defines internal control as:

... a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.

The Government Accountability Office – Standards for Internal Control in the Federal Government principles of internal control 10 through 12 states:

10. Management should design control activities to achieve objectives and respond to risks.
11. Management should design the entity's information system and related control activities to achieve objectives and respond to risks.
12. Management should implement control activities through policies.

South Dakota Codified Law (SDCL) 32-5B-1 states, in part:

In addition to all other license and registration fees for the use of the highways, a person shall pay an excise tax at the rate of four percent on the purchase price of any motor vehicle, as defined by § 32-3-1 or 32-5B-21, purchased or acquired for use on the streets and highways of this state and required to be registered under the laws of this state. A person shall pay an excise tax at the rate of four percent on the purchase of an off-road vehicle as defined by § 32-3-1 and required to be titled pursuant to § 32-20-12.

...

SDCL 32-5B-4 states, in part:

For the purposes of this chapter, the purchase price is:

- (1) For a new motor vehicle sale or lease, the total consideration whether received in money or otherwise. However, when a motor vehicle is taken in trade as a credit or part payment on a new motor vehicle, the credit or trade-in value allowed by the seller shall be deducted from the total consideration for the new motor vehicle to establish the purchase price;

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DEPARTMENT OF REVENUE
(Continued)

- (2) For a used motor vehicle sold or leased by a licensed motor vehicle dealer, the total consideration for the used motor vehicle whether received in money or otherwise. However, when a motor vehicle is taken in trade by the dealer as a credit or part payment on a used motor vehicle, the credit or trade-in value allowed by the dealer shall be deducted from the consideration so that the net consideration is established; ...

Condition:

The 605Drive system is used by the Department of Revenue (DOR) to title and register vehicles effective February 17, 2025. The system calculates all fees and maintains documentation for titles and registrations.

In certain cases, trade in values were incorrect within the system which affected the taxable values used during the excise tax calculations. Cases with this condition were caused by either incorrect data entry or improper data conversion into the 605Drive system.

Cause:

Internal controls over the accuracy of data in determining taxable value in motor vehicle excise tax transactions, as they relate to trade in values, were not operating effectively within the County Title Transaction process. Additionally, the secondary control of a title processor review was also not effective in identifying the issues in certain instances.

Effect:

Motor vehicle excise tax was calculated incorrectly resulting in overpayments to the State.

Further Information:

A sample of 112 transactions amounting to \$139,171.30 was tested out of a total of 750,005 transactions processed through the 605Drive system during Fiscal Year 2025. These transactions were made up of motor vehicle fees as well as motor vehicle excise taxes. Three transactions were noted to have errors relating to the trade-in value resulting in motor vehicle excise tax overpayments totaling \$1,400.00.

Repeat Finding from Prior Year:

No.

Recommendations:

We recommend that the DOR implement a thorough review of the internal controls relating to the titling and registering of motor vehicles, including those internal controls imbedded within the 605Drive system, to ensure accuracy of the transactions. These controls should be monitored and reviewed regularly to evaluate their results.

We recommend a thorough review be performed by the DOR to identify additional overpayments, which when identified, we recommend be refunded to the taxpayers.

Views of Responsible Officials:

The Department of Revenue (DOR) concurs with the finding.

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DEPARTMENT OF REVENUE
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The 605Drive system went live on Monday, February 17, 2025, following the completion of data migration from the legacy SDCars system on Friday, February 14. On Tuesday, February 18, it was determined that trade-in values from the converted dealer pre-applications did not transfer correctly into the new system and still required manual entry of trade-in values for converted dealer pre-applications.

As customers visited county treasurer offices to complete vehicle registration and titling transactions, some of these errors were not identified, resulting in incorrect taxable values, and consequently, overpayments of motor vehicle excise tax. Additionally, subsequent reviews by title processors at the central office did not detect these discrepancies, and titles were issued based on inaccurate data.

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DEPARTMENT OF HUMAN SERVICES

CURRENT AUDIT FINDINGS AND RECOMMENDATIONS

Federal Compliance Audit Finding:

Finding No. 2025-003: Inadequate Internal Controls over Cost Principles – Allocated Salaries and Wages

Type of Finding: Material Weakness and Non-Compliance

Assistance Listing Title: Aging Cluster (Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers; COVID-19 Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers; Special Programs for the Aging, Title III, Part C, Nutrition Services; COVID-19 Special Programs for the Aging, Title III, Part C, Nutrition Services; Nutrition Services Incentive Program)

Assistance Listing Number: 93.044, 93.045, 93.053

Federal Award Number: 2101SDSSC6, 2101SDCMC6, 2301SDOACM, 2401SDOASS, 2401SDOACM, 2401SDOAH, 2401SDOANS, 2501SDOASS, 2501SDOACM, 2501SDOAH, 2501SDOANS

Federal Award Year: FFY21, FFY23, FFY24, FFY25

Federal Agency: Department of Health and Human Services

Category of Finding: Allowable Costs/Cost Principles

COVID-19 Funding: Cluster includes some COVID-19 funding to an existing program

Criteria:

The Code of Federal Regulations (CFR) at 2 CFR 200.430g(1), requires that:

Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

...

(vi), Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

2 CFR 200.430g(5) allows states to use substitute processes or systems for allocating salaries and wages to Federal awards in place of the records described in paragraph (g)(1) of this section, if approved by the cognizant agency for indirect cost. The Department of Human Services (DHS) allocated some personal service costs to Aging Cluster programs using these substitute processes.

Condition:

Since State Fiscal Year (FY) 2017, the DHS has used a specific process to allocate certain personal service costs to the Aging Cluster as described in their Cost Allocation Plan (CAP). This CAP was approved by their cognizant agency, the United States Department of Health and

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**DEPARTMENT OF HUMAN SERVICES
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Human Services (HHS), for FY2018, with the most recent certification for its continued use issued for FY2022.

The DHS charged certain personal service costs to the Aging Cluster before obtaining approval from HHS for continued use of its CAP for FY 2023, FY2024, and FY2025.

Cause:

Inadequate internal controls and staff turnover resulted in failure to submit a current CAP to the cognizant agency for approval.

Effect:

Allocating personal service costs to Aging Cluster programs prior to submitting and obtaining approval of a CAP as required by 2 CFR 200.430g exposed the department to risk of potential federal grant disallowances.

Questioned Costs:

None.

Further Information:

As a result of the audit, DHS submitted a letter to the HHS certifying that the procedures approved in the FY2017 CAP had not changed for FY2023, FY2024, and FY2025. HHS acknowledged this certification on February 25, 2026, and advised DHS to continue using the procedures outlined in their approved public assistance cost allocation plan.

Repeat Finding from Prior Year:

No.

Recommendation:

We recommend the Department establish controls to ensure timely submission of an updated CAP for future periods.

Views of Responsible Officials:

The Department of Human Services concurs with the audit finding.

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DEPARTMENT OF HUMAN SERVICES
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CURRENT AUDIT FINDINGS AND RECOMMENDATIONS

Federal Compliance Audit Finding:

Finding No. 2025-004: Inadequate Internal Controls over Federal Funding Accountability and Transparency Act (FFATA) Reporting

Type of Finding: Material Weakness and Non-Compliance

Assistance Listing Title: Aging Cluster (Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers; COVID-19 Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers; Special Programs for the Aging, Title III, Part C, Nutrition Services; COVID-19 Special Programs for the Aging, Title III, Part C, Nutrition Services; Nutrition Services Incentive Program)

Assistance Listing Number: 93.044, 93.045, 93.053

Federal Award Number: 2101SDSSC6, 2101SDCMC6, 2301SDOACM, 2401SDOASS, 2401SDOACM, 2401SDOAH, 2401SDOANS, 2501SDOASS, 2501SDOACM, 2501SDOAH, 2501SDOANS

Federal Award Year: FFY21, FFY23, FFY24, FFY25

Federal Agency: Department of Health and Human Services

Category of Finding: Reporting

COVID-19 Funding: Cluster includes some COVID-19 funding to an existing program

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 or subaward amendment obligation was made.

Condition:

During State Fiscal Year 2025 (FY25), the Department of Human Services (DHS) received funding under the Aging Cluster and made multiple first-tier subawards to provide support services or nutrition services. The required reporting under FFATA was not performed for any subawards under this cluster.

For Aging Cluster subawards over \$30,000, with a portion funded during FY25, we identified the following:

Number of Transactions Tested	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
28	28	0	0	0

Dollar Amount of Transactions Tested	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
\$ 10,344,611.13	\$ 10,344,611.13	\$ 0.00	\$ 0.00	\$ 0.00

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DEPARTMENT OF HUMAN SERVICES
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Cause:

Inadequate internal controls and staff turnover resulted in non-compliance with FFATA reporting requirements.

Effect:

Incomplete 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 Human Services concurs with the audit finding.

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DEPARTMENT OF HUMAN SERVICES
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CURRENT AUDIT FINDINGS AND RECOMMENDATIONS

Federal Compliance Audit Finding:

Finding No. 2025-005: Inadequate Internal Controls over Certification of Maintenance of Effort Reporting

Type of Finding: Material Weakness and Non-Compliance

Assistance Listing Title: Aging Cluster (Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers; COVID-19 Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers; Special Programs for the Aging, Title III, Part C, Nutrition Services; COVID-19 Special Programs for the Aging, Title III, Part C, Nutrition Services; Nutrition Services Incentive Program)

Assistance Listing Number: 93.044, 93.045, 93.053

Federal Award Number: 2101SDSSC6, 2101SDCMC6, 2101SDHDC6, 2201SDOACM, 2201SDOAH, 2301SDOASS, 2301SDOACM, 2301SDOAH, 2301SDOANS, 2401SDOASS, 2401SDOACM, 2401SDOAH, 2401SDOANS

Federal Award Year: FFY21, FFY22, FFY23, FFY24

Federal Agency: Department of Health and Human Services

Category of Finding: Reporting

COVID-19 Funding: Cluster includes some COVID-19 funding to an existing program

Criteria:

Title 45 of the U.S. Code of Federal Regulations (CFR) 1321.9(c)(2)(vi), requires that each fiscal year, in order to meet maintenance of effort (MOE) requirements, the State agency “must expend for both services and administration at least the average amount of State funds reported and certified as expended under the State plan for these activities for the three previous fiscal years for Title III.” An authorized State official must certify annually to the Administration for Community Living that prior fiscal year expenditure requirements have been met by submitting the Office of Management and Budget (OMB) Certification of Maintenance of Effort Form (OMB No. 0985-0083).

Condition:

The MOE expenditures for the Federal Fiscal Year ending September 30, 2024, were not certified by the August 1, 2025, deadline through submission of the OMB Certification of Maintenance of Effort Form.

Cause:

Inadequate internal controls, staff turnover, and a change in the Federal correspondence process resulted in the proper forms not being submitted.

Effect:

The South Dakota Department of Human Services was not in compliance with OMB Certification of MOE reporting requirements.

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**DEPARTMENT OF HUMAN SERVICES
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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 Human Services concurs with the audit finding.

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DEPARTMENT OF HUMAN SERVICES
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CURRENT AUDIT FINDINGS AND RECOMMENDATIONS

Federal Compliance Audit Finding:

Finding No. 2025-006: Inadequate Internal Controls over Supporting Documentation and Accuracy of Performance Reporting

Type of Finding: Significant Deficiency and Non-Compliance

Assistance Listing Title: Rehabilitation Services Vocational Rehabilitation Grants to States

Assistance Listing Number: 84.126

Federal Award Number: H126A240062, H126A240084, H126A250062, H126A250084

Federal Award Year: FFY24, FFY25

Federal Agency: Department of Education

Category of Finding: Reporting

Criteria:

The Department of Human Service (DHS) administers the Vocational Rehabilitation (VR) program authorized by the Rehabilitation Act of 1973, as amended. The program requires the DHS to submit the quarterly *Case Service Report (RSA-911)* containing specific data elements for each client. These data elements are to be supported by documentation contained in the client's case file.

Documentation to be maintained in each client case file is described in Title 34 of the Code of Federal Regulations (CFR) 361.47. Paragraph (a) of this section requires the case file to contain documentation regarding eligibility determination, the individualized employment plan (IEP) for the client, wage rates in the case of employment, case closure, and various other specific documentation requirements. Paragraph (b) of 34 CFR 361.47 requires the State to determine the type of documentation that must be maintained for each applicant and eligible individual in order to meet the requirements of Paragraph (a).

The DHS has developed a *VR Counselor Manual* to comply with the provisions of 34 CFR 361.47(b). This manual contains policies regarding documentation that must be retained in each client's electronic case file, including a certificate of eligibility, the case closure letter where applicable, and employment verification documents.

The US Department of Education – Rehabilitation Services has provided specific instruction to State Vocational Rehabilitation (VR) agencies regarding case file documentation in its Administration Dear College Letter (DCL-23-04) which states:

The requirements in 34 C.F.R. § 361.47 and 34 C.F.R. § 361.56, taken together, require VR agencies to maintain supporting documentation in an individual's case file, particularly regarding eligibility determinations, development of the IPE, VR services provided, and case closure. It is important to note that the use of a case management system does not remove the requirement for the VR agency to maintain either hard copies or scanned copies of required supporting documentation in the individual's

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DEPARTMENT OF HUMAN SERVICES
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service record. A case management system is merely a data entry process and it is susceptible to data entry errors.

Condition:

The Department maintains an official file for each case in a combination of electronic records (paperless file) and information entered into a case management system for each applicant and eligible individual. The data required for the completion of the RSA-911 reports is sourced from the case management system, while the electronic case file serves as the repository for underlying supporting information.

The Office of Management and Budget (OMB) 2025 Compliance Supplement identifies the following key line items as critical information subject to audit, where the information reported must match supporting documentation:

1. Date of Application (element 7)
2. Date of Eligibility Determination (element 38)
3. Date of Initial Individualized Plan for Employment (IPE) (element 398)
4. Start Date of Employment in Primary Occupation (element 350)
5. Employment Outcome at Exit (element 356)
6. Date of Exit (element 353)
7. Hourly Wage at Exit (element 359)

We reviewed a sample of clients from the September, 2024 and December, 2024 RSA-911 reports to ensure the information contained in the key line item data fields agreed to supporting documentation. Discrepancies in the supporting documentation were noted in the following areas: certificate of eligibility, the case closure letter, and employment verification documents. Our sample of clients was expanded for those key line items. Additional discrepancies were noted in the expanded sample. The list below summarizes these key line elements that had discrepancies between the reported data field and the supporting documentation:

- Date of Eligibility Determination – Of 151 fields reported within our sample, we noted five cases where the eligibility date reported could not be verified to an eligibility certificate.
- Start Date of Employment in Primary Occupation – Of 71 fields reported within our sample, we noted three cases where the start date of employment on the underlying support provided did not agree to the employment start date that was reported on the RSA-911.
- Hourly Wage at Exit – Of 65 fields reported within our sample, we noted seven cases where the hourly wage at exit on the underlying support provided did not agree to the hourly wage that was reported on the RSA-911, and an additional four cases where the underlying support was not on file for the hourly wage that was reported on the RSA-911.

Additionally, the *VR Counselor Manual* requires all case closure letters to be scanned for inclusion in the electronic case file. For four clients in our sample whose cases had been closed, there was no closure letter contained in the scanned file.

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**DEPARTMENT OF HUMAN SERVICES
(Continued)**

Cause:

The Department did not have adequate controls in place to ensure the maintenance of documentation supporting quarterly RSA-911 *Case Service Reports*.

Effect:

As a result, there was an increased risk of inaccurate data being submitted in RSA-911 reports.

Questioned Costs:

None.

Repeat Finding from Prior Year:

No.

Recommendation:

We recommend the Department strengthen internal controls to ensure all case files contain adequate documentation to support information submitted in RSA-911 reports.

Views of Responsible Officials:

The Department of Human Services concurs with the audit finding.

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DEPARTMENT OF SOCIAL SERVICES/DEPARTMENT OF HEALTH

CURRENT AUDIT FINDING AND RECOMMENDATION

Federal Compliance Audit Finding:

Finding No. 2025-007: Timeliness of Health and Safety Survey Requirements

Type of Finding: Non-Compliance

Assistance Listing Title: Medicaid Cluster (State Medicaid Fraud Control Units; State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare; Grants to States for Medicaid)

Assistance Listing Number: 93.775, 93.777, 93.778

Federal Award Numbers: 2405SD5MAP, 2505SD5MAP

Federal Award Year: FFY2024, FFY2025

Federal Agency: Department of Health and Human Services

Category of Finding: Special Tests and Provisions

COVID-19 Funding: Cluster includes some COVID-19 funding to an existing program

Criteria:

42 Code of Federal Regulations (CFR) 431.610(b) requires the Medicaid State Plan to designate the state authority responsible for establishing and maintaining health standards for private or public institutions that provide services to Medicaid beneficiaries. As the state agency responsible for administering the Medicaid program in South Dakota, the Department of Social Services (DSS) has designated the Department of Health (DOH) as the state agency responsible for establishing health and safety standards and performing the related surveys of Medicaid providers.

42 CFR 431.610(g)(2) states that survey agencies must “Have qualified personnel perform on-site inspections periodically as appropriate based on the timeframes in the correction plan and - (i) At least once during each certification period or more frequently if there is a compliance question; and (ii) For non-State operated NFs [nursing facilities], within the timeframes specified in § 488.308 of this chapter.”

42 CFR 488.308 (a) requires the survey agency to conduct a standard survey of each nursing facility and skilled nursing facility no later than 15 months after the last day of the previous standard survey.

The Fiscal Year 2025 Mission and Priorities Document issued by the Centers for Medicare and Medicaid Services (CMS) requires that no more than five years elapse between surveys for any particular non-deemed hospital, psychiatric hospital, or critical access hospital and no more than 15.9 months elapse between completed surveys for any particular nursing home.

Condition:

The DOH did not complete health and safety inspection surveys within the required time frame for two out of a nonstatistical sample of twenty-seven hospitals and nursing facilities tested. Further review of DOH survey tracking documents indicated that an additional five hospitals and nursing facilities did not have inspection surveys performed within the required time frame.

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DEPARTMENT OF SOCIAL SERVICES/DEPARTMENT OF HEALTH
(Continued)

While the DOH has controls in place to track the surveys required, they did not have staff available to perform those seven reviews within the time frame required by CMS. The completion dates of those seven surveys ranged from two days late to roughly six months past required timeframes.

Additional Information to provide perspective:

At the time of the audit, there were 256 facilities subject to health and safety certifications, although some of these are subsidiaries grouped with another facility and surveyed as one unit. The dynamic nature of health system consolidation and closures, the federally approved pandemic backlog review schedule, and scheduling variances among different facilities make it difficult to ascertain a population of reviews required during the fiscal year under audit. Exceptions noted in the audit finding did not include facilities inspected late that had already been identified on a federally approved Covid-19 backlog schedule.

Cause:

Lack of resources, increases in required complaint investigations, and staff vacancies at the DOH along with inspection backlogs created by the Covid-19 pandemic resulted in DOH not having enough staff available to complete the surveys within the timeframes required by CMS.

Effect:

As a result of the noncompliance with CMS timing requirements for provider health and safety surveys, there was increased risk of the DSS making payments for Medicaid services to providers that do not meet prescribed health and safety standards.

Questioned Costs:

None.

Repeat Finding from Prior Year:

No.

Recommendation:

We recommend the DOH complete health and safety inspection surveys within the timeframe required by federal regulations.

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, 2025**

DEPARTMENT OF SOCIAL SERVICES

CURRENT AUDIT FINDINGS AND RECOMMENDATIONS

Federal Compliance Audit Finding:

Finding No. 2025-008: Inadequate Internal Controls over Special Tests and Provisions

Type of Finding: Significant Deficiency and Non-compliance

Assistance Listing Title: Medicaid Cluster (State Medicaid Fraud Control Units; State Survey and Certification of Health Care Providers and Suppliers; Grants to States for Medicaid)

Assistance Listing Numbers: 93.775, 93.777, 93.778

Federal Award Numbers: 2405SD5MAP, 2505SD5MAP

Federal Award Years: FFY2024, FFY2025

Federal Agency: Department of Health and Human Services

Category of Finding: Special Tests and Provisions

COVID-19 Funding: Cluster includes some COVID-19 funding to an existing program

Criteria:

Title 45 of the Code of Federal Regulations (CFR), Section 95.605 defines automated data processing (ADP) as “data processing performed by a system of electronic or electrical machines so interconnected and interacting as to minimize the need for human assistance or intervention.”

45 CFR 95.621(f) states:

- (1) *ADP System Security Requirement.* State agencies are responsible for the security of all ADP projects under development, and operational systems involved in the administration of HHS programs. State agencies shall determine the appropriate ADP security requirements based on recognized industry standards or standards governing security of Federal ADP systems and information processing.”
- (3) *ADP System Security Reviews.* State agencies shall review the ADP system security of installations involved in the administration of HHS programs on a biennial basis. At a minimum, the reviews shall include an evaluation of physical and data security operating procedures, and personnel practices.

Condition:

The Department of Social Services (DSS) did not perform the required biennial ADP risk analysis and system security review in FY25. The last such review was completed in FY22.

Cause:

Controls were not adequate to ensure that the required ADP risk analysis and system security review was performed biennially.

**STATE OF SOUTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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**DEPARTMENT OF SOCIAL SERVICES
(Continued)**

Effect:

As a result of this control deficiency, the DSS was not in compliance with HHS requirements for performing ADP risk analysis and system security reviews. Without the required reviews the DSS was exposed to increased risk related to ADP system security and potential sanctions from the federal awarding agency.

Questioned Costs:

None.

Repeat Finding from Prior Year:

Yes.

Recommendation:

We recommend that internal controls be strengthened over the initiation and completion of a biennial ADP system security review.

Views of Responsible Officials:

The required system security review was completed in December 2025.

**STATE OF SOUTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2025**

DEPARTMENT OF SOCIAL SERVICES
(Continued)

CURRENT AUDIT FINDINGS AND RECOMMENDATIONS

Federal Compliance Audit Finding:

Finding No. 2025-009: Inadequate Internal Controls over Maintenance of Effort Requirements

Type of Finding: Significant Deficiency and Non-compliance

Assistance Listing Title: Block Grants for Prevention and Treatment of Substance Abuse; COVID-19 Block Grants for Prevention and Treatment of Substance Abuse

Assistance Listing Numbers: 93.959

Federal Award Numbers: B08TI083967, B08TI084671, B08TI087065, B08TI088132

Federal Award Years: FFY2022, FFY2023, FFY2024, FFY2025

Federal Agency: Department of Health and Human Services

Category of Finding: Level of Effort

COVID-19 Funding: Includes some COVID-19 funding to an existing program

Criteria:

States are required to spend a given amount of State funds to meet what is referred to as Maintenance of Effort (MOE) requirements for some federal programs. The MOE requirement for the Block Grants for Prevention and Treatment of Substance Abuse (BGPTSA) program is outlined in the Code of Federal Regulations (CFR) at 45 CFR 96.134(a) which states:

With respect to the principal agency of a State for carrying out authorized activities, the agency shall for each fiscal year maintain aggregate State expenditures by the principal agency for authorized activities at a level that is not less than the average level of such expenditures maintained by the State for the two year period preceding the fiscal year for which the State is applying for the grant. The Block Grant shall not be used to supplant State funding of alcohol and other drug prevention and treatment programs.

Condition:

The Department of Social Services (DSS) did not meet MOE requirements for the BGPTSA program for State Fiscal Year (FY) 2025. The MOE requirement for this program for FY2025 was \$26,419,575.30. General fund expenditures eligible to meet the MOE requirement totaled \$24,752,507.31. This resulted in DSS being \$1,667,067.99 below the required MOE for FY2025.

Cause:

Some services previously provided using the MOE for the BGPTSA program began being charged to Medicaid after expansion of the Medicaid program in FY2024. Controls were not adequate to ensure the applicable MOE requirement was still met for FY25 with this shift in funding.

**STATE OF SOUTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2025**

**DEPARTMENT OF SOCIAL SERVICES
(Continued)**

Effect:

As a result of the noncompliance with MOE requirements, there is an increased risk of future reductions in the State's allotment for funding under the BGPTSA program.

Questioned Costs:

None with regard to Federal funds expended. The shortage in MOE amounted to \$1,667,067.99 for FY2025.

Repeat Finding from Prior Year:

No.

Recommendation:

We recommend the DSS implement controls to ensure compliance with MOE requirements for future periods.

Views of Responsible Officials:

The Department of Social Services concurs with the finding.

In State Fiscal Year 2025, the variance in the State's Maintenance of Effort (MOE) calculation is attributable to a structural change in the financing of behavioral health treatment services following the expansion of Medicaid eligibility in FY2024. As a result, certain substance use disorder treatment services that were historically funded through direct State general fund appropriations and counted toward MOE are now reimbursed through the Medicaid program.

The Department actively monitors MOE throughout the fiscal year and identified, based on expenditure trends, that the State would fall short of the required MOE threshold for FY2025. This projected shortfall was driven by the shift in funding mechanisms rather than a reduction in services or State support. Services continued to be delivered at or above prior levels, with State resources supporting these services through Medicaid state share.

DSS has actively been working with our federal oversight agency to request a waiver of the required MOE requirement. Feedback received from the grant administrator on the Department's draft waiver request was very positive. DSS is presently waiting a formal response from its federal oversight agency.

**STATE OF SOUTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2025**

DEPARTMENT OF SOCIAL SERVICES
(Continued)

CURRENT AUDIT FINDINGS AND RECOMMENDATIONS

Federal Compliance Audit Finding:

Finding No. 2025-010: Inadequate Internal Controls over Federal Funding Accountability and Transparency Act (FFATA) Reporting

Type of Finding: Significant Deficiency and Non-Compliance

Assistance Listing Title: CCDF Cluster – Child Care and Development Block Grant, COVID-19 Child Care and Development Block Grant

Assistance Listing Number: 93.575

Federal Award Numbers: 2101SDCDC6, 2201SDCCDD, 2301SDCCDD

Federal Award Year: FFY2021, FFY2022, FFY2023

Federal Agency: Department of Health and Human Services

Category of Finding: Reporting

COVID-19 Funding: Cluster includes some COVID-19 funding to an existing program

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 or subaward amendment obligation was made.

Condition:

During State Fiscal Year 2025 (FY25), the Department of Social Services (DSS) received funding under the Child Care and Development Block Grant (CCDBG) and allowed the Governor’s Office of Economic Development (GOED) to administer some of the grant awards to subrecipients. Both agencies made multiple subawards to subrecipients for program purposes.

For the sample of CCDBG subawards over \$30,000, with a portion funded during FY25, we identified the following:

Number of Transactions Tested	Subaward not Reported	Report not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
7	4	2	0	0

Dollar Amount of Transactions Tested	Subaward not Reported	Report not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
\$ 3,345,081.00	\$ 1,237,801.00	\$ 1,925,697.00	\$ 0.00	\$ 0.00

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**DEPARTMENT OF SOCIAL SERVICES
(Continued)**

The award in our sample that was properly reported and the two awards identified as not being reported timely were administered by the DSS. The four awards identified as not being reported were administered by the GOED and not reported until after our inquiry during the audit. They were subsequently reported as a result of the audit.

Additional Information to provide perspective:

In FY2025, payments totaling more than \$30,000 under CCDBG were made to 21 subrecipients subject to FFATA reporting requirements. A cursory review of the information reported across the population indicates our sample results are reflective of the population.

Cause:

Inadequate internal controls and communication gaps between the DSS and the GOED resulted in non-compliance with FFATA reporting requirements.

Effect:

Incomplete 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 concurs with this finding and agrees that improvements are needed to ensure consistent and timely FFATA reporting, particularly in situations where subawards are administered through partner agencies. All reports related to the Child Care and Development Block Grant and the Child Care COVID-19 Child Care and Development Block Grant have been in the FSRS System.

**STATE OF SOUTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2025**

DEPARTMENT OF SOCIAL SERVICES
(Continued)

CURRENT AUDIT FINDINGS AND RECOMMENDATIONS

Federal Compliance Audit Finding:

Finding No. 2025-011: Inadequate Internal Controls over Obligating Funds within the Availability Period

Type of Finding: Material Weakness and Non-Compliance

Assistance Listing Title: CCDF Cluster – Child Care and Development Block Grant, COVID-19 Child Care and Development Block Grant

Assistance Listing Number: 93.575

Federal Award Numbers: 2101SDCDC6, 2201SDCCDD, 2301SDCCDD

Federal Award Year: FFY2021, FFY2022, FFY2023

Federal Agency: Department of Health and Human Services

Category of Finding: Period of Performance

COVID-19 Funding: Cluster includes some COVID-19 funding to an existing program

Criteria:

The Notice of Award Number 2101SDCDC6 for the American Rescue Plan Discretionary Supplemental Funds states that “funds must be obligated by September 30, 2023, and liquidated by September 30, 2024,” and that any Federal funds not obligated and expended by those deadlines “will be recouped by ACF.”

The allowed obligation and liquidation periods for funds granted under the Child Care and Development Fund (CCDF) are provided in Title 45 of the Code of Federal Regulations (CFR), at Section 98.60 which states:

- (d) The following obligation and liquidation provisions apply to States and Territories:
- (1) Discretionary Fund allotments shall be obligated in the fiscal year in which funds are awarded or in the succeeding fiscal year. Unliquidated obligations as of the end of the succeeding fiscal year shall be liquidated within one year.
 - (5) Except for Paragraph (d)(6) of this section, determination of whether funds have been obligated and liquidated will be based on:
 - (i) State or local law; or,
 - (ii) If there is no applicable State or local law, the regulation at 45 CFR 75.2, *Expenditures and Obligations*.
 - (6) Obligations may include subgrants or contracts that require the payment of funds to a third party (e.g., subgrantee or contractor). However, the following are not considered third party subgrantees or contractors:

**STATE OF SOUTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2025**

DEPARTMENT OF SOCIAL SERVICES
(Continued)

- (i) A local office of the Lead Agency;
- (ii) Another entity at the same level of government as the Lead Agency; or
- (iii) A local office of another entity at the same level of government as the Lead Agency.

45 CFR 75.2 states:

Obligations, when used in connection with a non-Federal entity's utilization of funds under a Federal award, obligations means orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period.

South Dakota Codified Law (SDCL) 20-1-1 defines *obligation* as “a legal duty by which a person is bound to do or not to do a certain thing.” SDCL 20-1-2 further clarifies this definition, stating that, “An obligation arises either from: (1) The contract of the parties; or (2) the operation of law.”

Condition:

During State Fiscal Year 2025 (FY25), the Department of Social Services (DSS) received funding under the Child Care and Development Fund (CCDF) and allowed the Governor's Office of Economic Development (GOED) to administer some of that funding as grant awards to subrecipients. The DSS issued multiple contracts and both agencies granted multiple subawards to subrecipients for program purposes.

Out of a nonstatistical sample of 41 payments to contractors and subrecipients amounting to \$2,035,066 made during FY25, we identified ten payments amounting to \$350,235 made under contracts or subawards that were not obligated within the obligation period required under federal regulations.

While the expenditures in our sample were not obligated within the allowable period for obligation, all of the expenditures were made within the liquidation period allowed by federal regulations. None of the expenditures in our sample were paid outside of the period in which funds must be expended.

Additional Information to provide perspective:

The amount awarded outside of the obligation period on contracts or grants in our sample totaled \$641,489. Our sample was randomly selected from a population of 468 payments made to contractors and subrecipients totaling \$22,529,116 during FY25.

Cause:

Controls were not adequate to ensure obligation requirements applicable to CCDF grant awards were met.

**STATE OF SOUTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2025**

**DEPARTMENT OF SOCIAL SERVICES
(Continued)**

Effect:

Noncompliance with obligation requirements increases the risk of disallowance of federal grant funds.

Questioned Costs:

\$350,234.64

Repeat Finding from Prior Year:

No.

Recommendation:

We recommend the Department develop written procedures defining the obligation of grant funds in accordance with federal regulations and implement monitoring controls to ensure that obligation requirements are met for future periods.

Views of Responsible Officials:

The Department obligated funds within the required timeline based on federal guidance. The Department entered into a collaborative agreement with a state component unit within the obligation period to administer a defined portion of the funds. The Department considers this agreement to represent an obligation of funds based on written confirmation from the Administration for Children and Families, the federal oversight authority.

**STATE OF SOUTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2025**

DEPARTMENT OF SOCIAL SERVICES
(Continued)

CURRENT AUDIT FINDINGS AND RECOMMENDATIONS

Federal Compliance Audit Finding:

Finding No. 2025-012: Inadequate Internal Controls over Documentation of Allowability

Type of Finding: Material Weakness and Non-Compliance

Assistance Listing Title: CCDF Cluster – COVID-19 Child Care and Development Block Grant

Assistance Listing Number: 93.575

Federal Award Numbers: 2101SDCDC6

Federal Award Year: FFY2021

Federal Agency: Department of Health and Human Services

Category of Finding: Activities Allowed or Unallowed

COVID-19 Funding: Cluster includes some COVID-19 funding to an existing program

Criteria:

The American Rescue Plan Act (ARPA) (Public Law No. 117-2) provided supplemental funds for child care stabilization to support the child care sector during and after the COVID-19 public health emergency. ARPA also provided additional supplemental appropriations that could be used for broader child care purposes which were not limited to addressing coronavirus impacts. The regulations for this supplemental award are the same as those governing Discretionary Funds under the Child Care and Development Fund (CCDF).

45 CFR 75.303 requires the non-Federal entity to:

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).

45 CFR 75.305(b)(1) states in part:

Advance payments to a non-Federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity for direct program or project costs... .

45 CFR 75.403(g) requires costs to be adequately documented to be allowable under Federal awards.

STATE OF SOUTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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DEPARTMENT OF SOCIAL SERVICES
(Continued)

45 CFR 98.56(b)(1) states:

For State and local agencies...no funds shall be expended for the purchase or improvement of land, or for the purchase, construction, or permanent improvement of any building or facility. However, funds may be expended for minor remodeling, and for upgrading child care facilities to assure that providers meet State and local child care standards, including applicable health and safety requirements. ...

Condition:

The Department of Social Services (DSS) partnered with the Governor's Office of Economic Development (GOED) to develop a community based child care grant program with the GOED taking the lead in administering the program. GOED awarded these funds to several subrecipients for program purposes.

In our sample of 16 ARPA payments tested we identified the following:

- a) Five payments were made to subrecipients for activities that do not appear to be allowed under federal regulations. Two of these payments totaling \$76,798.89 were made for architectural and engineering design services on a construction project. Two other payments totaling \$3,458.70 were made to a subrecipient to prepay eighteen months of water service and prepay \$2,000.00 for an unknown amount of propane. The other payment amounted to \$4,050.00 for consulting fees on other grants which were not allowable under the implementation portion of the community based child care grants.
- b) Two invoices were not adequately supported. One invoice in the amount of \$152,080.99 was a bill from a contractor for "playground equipment" and "kitchen equipment" as part of a construction project. This invoice provided no other details as to what playground and kitchen equipment was provided, costs per item, amounts of items provided, or whether any construction and/or installation services were performed as part of the amount billed. One invoice for \$842.80 was a billing for consulting services. This invoice did not provide specific details of what work was performed, how it benefitted the program, or the dates of service.

Additional Information to provide perspective:

A sample of 16 vouchers paid with Child Care ARPA funds amounting to \$1,419,665.84 was tested out of 157 vouchers paid during State Fiscal Year 2025. The total dollar amount of payments made with CCDF Discretionary ARPA funds in FY25 was \$11,583,775.61. Total questioned costs identified below are also questioned under finding Number 2025-011.

Cause:

Internal controls were not sufficient to prevent payment for questionable or improperly supported invoices.

Effect:

As a result of these deficiencies, questionable and/or unsupported payments were made from grant funds.

**STATE OF SOUTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2025**

**DEPARTMENT OF SOCIAL SERVICES
(Continued)**

Questioned Costs:

\$238,475.38

Repeat Finding from Prior Year:

No.

Recommendation:

We recommend that internal controls be strengthened to ensure that program funds are utilized in accordance with federal regulations and adequate documentation is obtained and retained to support amounts paid.

Views of Responsible Officials:

The Department of Social Services partially concurs with the finding and recognizes that internal controls in place during the administration of the CCDF ARPA Discretionary Supplemental funded community-based childcare grant program were not sufficient to ensure full compliance with federal allowability and documentation requirements.

The program acknowledges its responsibility for oversight of federal funds administered in partnership with the Governor's Office of Economic Development (GOED). Consulting fees and design fees were allowable under the terms of the grant based on two sources: state policy and written federal guidance received by the Department. Based on that guidance, proposed expenses were approved pre-award, award, and with post-award expenditure reporting. Formal approval occurred through review of the application and award process. DSS concurs that more robust formalized and documented guidance provided to subrecipients, would enhance controls for future programs.

**STATE OF SOUTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2025**

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.

CURRENT AUDIT FINDINGS AND RECOMMENDATIONS

Financial Statement Audit Finding:

Finding No. 2025-013: Preparation of Financial Statements with Material Audit Adjustments

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 correct.

Condition:

We were requested as auditors to draft the financial statements and accompanying notes to the financial statements. As auditors, we proposed a closing entry related to the cutoff of expenses and the related payable. This proposed adjustment may not have been identified as a result of the Council's existing internal controls.

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 an adjustment 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, 2025**

**SOYBEAN RESEARCH AND PROMOTION COUNCIL
(Continued)**

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

CURRENT AUDIT FINDINGS AND RECOMMENDATIONS

Financial Statement Audit Finding:

Finding No. 2025-014: Segregation of Duties

Type of Finding: Material Weakness

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 limited staffing, which prevented an ideal segregation of duties for controls over financial reporting. The oversight and review process by management for various account reconciliations are 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
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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. 2025-015: 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:

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, 2025**

**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. 2025-016: 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
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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. 2025-017: 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 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, 2025**

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. 2025-018: 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.





***AUDITEE PREPARED
CORRECTIVE ACTION
PLANS***



***AUDITEE PREPARED
CORRECTIVE ACTION
PLANS***

STATE OF SOUTH DAKOTA
AUDITEE PREPARED CORRECTIVE ACTION PLANS
For the Fiscal Year Ended June 30, 2025

BOARD OF ECONOMIC DEVELOPMENT

Finding No. 2025-001: Ineffective Internal Controls over Financial Reporting

Corrective Action Plan: While Management believes the issue identified could also be properly categorized with a note to the financial statements, our commitment to robust internal controls is unwavering. In response to the audit team's feedback, we will ensure that intragovernmental activities, contributions, and grants are properly classified based on the character and participants in each transaction, and that communication with the third-party accountant and consultation with the State's fiscal accounting experts will continue to be regular and robust regarding proper classification of transfers between the agency's operating funds. Management and the third-party accountant will discuss transactions regularly and review year-end reporting with the State's fiscal accounting experts to continually ensure proper classification.

Contact Person: Jack Valentine, Finance and Fiscal Director, Governor's Office of Economic Development

Anticipated Completion Date: This corrective action has been implemented for internal reporting purposes beginning with July 2025 statements.

DEPARTMENT OF REVENUE

Finding No. 2025-002: Ineffective Internal Controls over the Calculation of Motor Vehicle Excise Tax

Corrective Action Plan: Department of Revenue (DOR) is reviewing previously processed applications with identified conversion errors to determine whether adjustments to excise tax due are required. Refunds have been issued or are in the process of being issued where applicable. The Motor Vehicle division is working with Bureau of Human Resources and Administration (BHRA) to create a new classification titled Motor Vehicle Title Compliance Auditor. This position will be responsible for auditing the issuance of titles and specialty plates, assisting title processors with documentation and verification requirements, and identifying training needs based on trends discovered through the audit process. As part of ongoing efforts to strengthen system use and data accuracy, DOR is evaluating opportunities to enhance training and support resources. Insights gained through audits and user feedback will help inform future training initiatives and identify areas where additional guidance may be beneficial.

Contact Person: Rosa Yaeger, Director of Motor Vehicles, Department of Revenue

Anticipated Completion Date: June 30, 2026

STATE OF SOUTH DAKOTA
AUDITEE PREPARED CORRECTIVE ACTION PLANS
For the Fiscal Year Ended June 30, 2025

DEPARTMENT OF HUMAN SERVICES

Finding No. 2025-003: Inadequate Internal Controls over Cost Principles – Allocated Salaries and Wages

Corrective Action Plan: Upon notification of the missing submissions, Department of Human Services (DHS) submitted a letter to the U.S. Department of Health and Humans Services (HHS) certifying that the procedures approved in the FY2017 CAP had not changed for FY2023, FY2024, and FY2025. HHS acknowledged this certification on February 25, 2026, and advised DHS to continue using the procedures outlined in their approved public assistance cost allocation plan. The department has added controls to submit the annual cost allocation plan certification within 60 days after the end of each fiscal year in accordance with 45 CFR 95.509(b).

Contact Person: Tami Darnall, Chief Financial Officer, Department of Human Services

Anticipated Completion Date: February 25, 2026

Finding No. 2025-004: Inadequate Internal Controls over Federal Funding Accountability and Transparency Act (FFATA) Reporting

Corrective Action Plan: The Department of Human Services will implement the following actions to ensure compliance with FFATA reporting requirements under 2 CFR Part 170:

- Budget and Finance will perform a review of federal subawards issued during the applicable audit period and submit any required FFATA reports through SAM.gov subaward reporting module.
- The Department will develop and implement a formal FFATA Subaward Reporting Procedure establishing responsibilities and processes for identifying reportable subawards and ensuring timely reporting of subrecipient awards.
- The Internal Control Officer will perform periodic compliance validation to confirm adherence to the established procedure.

Contact Person: Tami Darnall, Chief Financial Officer, Department of Human Services

Anticipated Completion Date: May 31, 2026

Finding No. 2025-005: Inadequate Internal Controls over Certification of Maintenance of Effort Reporting

Corrective Action Plan: Upon realization of the unsubmitted certification, DHS finance staff completed the maintenance of effort calculation for the Title III grants. DHS program staff provided the form and submission instructions to DHS finance. The form was completed by DHS finance, signed by the Authorized State Official (LTSS Division Director), and has been submitted to Administration for Community Living (ACL). The department has added controls to submit this certification in accordance with the required deadline in future years. Annual calendar reminders have been put on the Outlook calendars of the DHS Budget

STATE OF SOUTH DAKOTA
AUDITEE PREPARED CORRECTIVE ACTION PLANS
For the Fiscal Year Ended June 30, 2025

DEPARTMENT OF HUMAN SERVICES
(Continued)

and Finance Assistant Director, the DHS Accountant III, and the DHS Long Term Services and Support (LTSS) ACL Program Administrator.

Contact Person: Jenny Johnson, Assistant Director, Department of Human Services

Anticipated Completion Date: March 17, 2026

Finding No. 2025-006: Inadequate Internal Controls over Supporting Documentation and Accuracy of Performance Reporting

Corrective Action Plan:

1. **Case File Review Focus:** DRS and SBVI will strengthen case file review processes to ensure both the presence of required documentation and the accuracy of data reported in RSA-911 submissions. Case file reviews will occur annually. Reviews will specifically verify that key data elements (e.g., eligibility determination date, employment start date, hourly wage at exit, and case closure documentation) are supported by documentation in the case file. The review instrument will be revised as needed, and completion of reviews will be documented, including resolution of any identified discrepancies.
2. **Training:** DRS and SBVI will provide training to staff to reinforce documentation requirements and data accuracy expectations. Training will include emphasis on federal requirements under 34 CFR 361.47, proper maintenance of supporting documentation, and the importance of ensuring that data entered into the case management system aligns with source documentation. Training will also address common errors identified in the audit. Written guidance, including the VR Counselor Manual, will be reviewed and updated as needed to provide additional clarification, and key information will be reinforced through staff newsletters and ongoing training opportunities.
3. **Checklist and Data Validation Controls:** A case closure checklist is currently in development and will be implemented as a tool for counselors to ensure completeness and accuracy of case documentation. The checklist will require verification that all required documentation is present and that key data elements entered in the case management system agree with supporting documentation. Upon implementation, supervisors will strengthen internal controls by reviewing completed checklists and validation activities at case closure and prior to reporting, and will provide ongoing technical assistance, direction, and corrective feedback as necessary to ensure accurate reporting, proper documentation, and quality service delivery.

Contact Person: Eric Weiss, Director, Division of Rehabilitation Services, and Ronda Williams, Director, Division of Service to the Blind and Visually Impaired, Department of Human Services

Anticipated Completion Date: December 31, 2026

STATE OF SOUTH DAKOTA
AUDITEE PREPARED CORRECTIVE ACTION PLANS
For the Fiscal Year Ended June 30, 2025

DEPARTMENT OF SOCIAL SERVICES/DEPARTMENT OF HEALTH

Finding No. 2025-007: Timeliness of Health and Safety Survey Requirements

Corrective Action Plan: The Department of Social Services, in coordination with the Department of Health, has evaluated the factors contributing to delays in completing required health and safety surveys within federally prescribed timeframes. The delays were primarily attributable to staffing shortages, increased complaint investigation workload, and residual impacts from the COVID-19 pandemic backlog.

To address these issues and strengthen compliance with federal requirements, the following corrective actions are being implemented:

- **Staffing and Resource Enhancements:** The Department of Health is actively recruiting staff to fill vacant surveyor positions and evaluating staffing levels to ensure sufficient resources are available to meet federal survey timeframes.
- **Workload Prioritization:** Survey scheduling processes are being refined to prioritize facilities approaching federal deadlines, while continuing to address high-priority complaint investigations.
- **Backlog Reduction Efforts:** The Department of Health will continue efforts to eliminate any remaining backlog and maintain compliance with federally approved schedules.
- **Ongoing Coordination:** The Department of Social Services will continue coordination and oversight with the Department of Health to monitor compliance with CMS requirements and address emerging risks timely. The Departments will continue to monitor survey completion timeliness and make adjustments as necessary to ensure ongoing compliance with federal regulations.
- **Improved Tracking and Monitoring:** Existing tracking systems will be enhanced to prevent delays.

Contact Person: Steve Rasmussen, Chief Financial Officer, Department of Social Services

Anticipated Completion Date: June 30, 2026

DEPARTMENT OF SOCIAL SERVICES

Finding No. 2025-008: Inadequate Internal Controls over Special Tests and Provisions

Corrective Action Plan: The Department has implemented or is in the process of implementing the following corrective actions to address the control deficiency:

- **Scheduled Biennial Reviews:** The Department has established a Data Security Team that includes representatives from the Department of Social Services and the Bureau of Information and Technology. This team is responsible for ensuring that all in-scope ADP systems undergo security reviews and risk analysis on a biennial basis. Reviews are scheduled, tracked, and completed in a timely manner in accordance with federal regulations and established security standards.

STATE OF SOUTH DAKOTA
AUDITEE PREPARED CORRECTIVE ACTION PLANS
For the Fiscal Year Ended June 30, 2025

DEPARTMENT OF SOCIAL SERVICES
(Continued)

- Formal Procedures: The Department has developed and maintains written procedures that define the process for conducting ADP security reviews. The procedures include clearly established roles, responsibilities, and documentation requirements, and standardized methodologies for risk assessment and evaluation. ADP interpretation and reporting requirements are documented and developed in coordination with and shared and agreed upon by BIT.
- Assignment of Responsibility: The Department has designated staff responsible for initiating, performing, and documenting the biennial ADP reviews to ensure accountability and timely completion.
- Tracking and Reporting: The Department maintains mechanisms to track the completion of biennial reviews and the status of associated remediation efforts. Executive Summary Biannual Security Scan Reports and technical artifacts are provided by BIT to DSS Management to substantiate the scan results. Any identified vulnerabilities or deficiencies are communicated and coordinated to DSS from BIT to ensure shared awareness and alignment.
- Monitoring and Oversight: Management will monitor adherence to the biennial review schedule and follow up to ensure any identified issues are promptly addressed. The Data Security Team will report on the status of its review schedule and findings to DSS and BIT leadership.
- Documentation Retention: Completed ADP reviews and associated risk analyses will be documented and retained in accordance with federal and State record retention requirements, providing an auditable record of compliance.

These actions are designed to ensure that future ADP system security reviews are conducted on a timely basis, mitigating risk and ensuring compliance with HHS requirements.

Contact Person: Steve Rasmussen, Chief Financial Officer, Department of Social Services

Anticipated Completion Date: Completed

Finding No. 2025-009: Inadequate Internal Controls over Maintenance of Effort Requirements

Corrective Action Plan: The Department has established and implemented ongoing monitoring and internal controls over MOE calculations, including periodic forecasting, interdepartmental coordination, and management review of expenditure trends. These controls were in place during FY2025 and functioned as designed in identifying the projected MOE shortfall in advance of year-end.

The identified shortfall was driven by a structural shift in program funding due to Medicaid expansion. This is distinct from a decline in services or lack of State support. Accordingly, the Department determined that increasing State general fund expenditures solely to meet the technical MOE requirement, absent a demonstrated programmatic need, would not represent an effective or responsible use of taxpayer resources.

STATE OF SOUTH DAKOTA
AUDITEE PREPARED CORRECTIVE ACTION PLANS
For the Fiscal Year Ended June 30, 2025

DEPARTMENT OF SOCIAL SERVICES
(Continued)

The Department is pursuing an allowable remedy under federal regulations by evaluating and requesting a Maintenance of Effort waiver or exemption related to the impact of Medicaid expansion on service financing. If a waiver or exemption is not granted, the State will comply with any required federal adjustments.

The Department will continue its current monitoring and control processes and will incorporate any additional federal guidance or requirements resulting from the waiver determination to ensure ongoing compliance in future periods.

Contact Person: Steve Rasmussen, Chief Financial Officer, Department of Social Services

Anticipated Completion Date: DSS has actively been working with our federal oversight agency to request a waiver of the required MOE requirement. Anticipation resolution by June 30, 2026.

Finding No. 2025-010: Inadequate Internal Controls over Federal Funding Accountability and Transparency Act (FFATA) Reporting

Corrective Action Plan: The Department has taken, or is in the process of implementing, the following corrective actions to address the identified deficiencies:

Enhanced Communications of Procedures: The Department has provided, and will continue to provide, training to staff and subrecipients on federal cost principles, allowable activities, and documentation requirements to ensure consistent compliance.

For future interagency partnerships, the Department will formalize roles, responsibilities, and compliance expectations through written agreements, including defined monitoring and review responsibilities.

Strengthened Interagency Oversight: The Department will implement reviews of FFATA reporting requirements to verify completeness and timeliness and to identify and correct issues proactively.

Contact Person: Steve Rasmussen, Chief Financial Officer, Department of Social Services

Anticipated Completion Date: Complete

STATE OF SOUTH DAKOTA
AUDITEE PREPARED CORRECTIVE ACTION PLANS
For the Fiscal Year Ended June 30, 2025

DEPARTMENT OF SOCIAL SERVICES
(Continued)

Finding No. 2025-011: Inadequate Internal Controls over Obligating Funds within the Availability Period

Corrective Action Plan: Although the specific funding associated with this finding has ended, the Department will continue to strengthen controls for future federal awards:

1. Formalize Written Procedures: The Department will formalize a standard written policies and procedures defining “obligation” in accordance with federal regulations, including Federal and applicable State law. These procedures will clearly establish when funds are considered obligated for contracts, subawards, and interagency agreements.
2. Standardized and Notification of Subrecipient Requirements: The Department will develop written policies and procedures defining “obligation” and for future interagency partnerships, the Department will formalize roles, responsibilities, and compliance expectations through written agreements, including defined monitoring and review responsibilities.
3. Obligation Tracking Controls: The Department will enhance tracking procedures in alignment with Formalize Written definition of “obligation”.

The Department will evaluate the costs questioned and work with the federal awarding agency to determine appropriate resolution, if necessary.

Contact Person: Steve Rasmussen, Chief Financial Officer, Department of Social Services

Anticipated Completion Date: Complete

Finding No. 2025-012: Inadequate Internal Controls over Documentation of Allowability

Corrective Action Plan: Although the specific grant program has ended, the Department will take the following actions to address the deficiencies and prevent recurrence in future federally funded programs when working with other agencies.

1. Post-Award Review and Resolution: The Department will evaluate the questioned costs identified and work with the appropriate federal awarding agency to determine the proper resolution, including repayment if required. DSS confirmed that in addition to the invoices previously provided, the program has documentation to support detailed inventory of equipment of the equipment and supplies and playground equipment as well as amounts of product delivered.

STATE OF SOUTH DAKOTA
AUDITEE PREPARED CORRECTIVE ACTION PLANS
For the Fiscal Year Ended June 30, 2025

DEPARTMENT OF SOCIAL SERVICES
(Continued)

2. Enhanced Grant Closeout Procedures: For all federal programs, the Department will implement strengthened closeout procedures, including a final review of expenditures to ensure costs are allowable, properly supported, and compliant with federal requirements prior to final reporting.
3. Standardized Subrecipient Requirements: The Department has developed standardized guidance and templates for subrecipient agreements that clearly define allowable costs, required documentation, and invoicing standards. For future interagency partnerships, the Department will formalize roles, responsibilities, and compliance expectations through written agreements, including defined monitoring and review responsibilities.
4. Improved Pre-Payment Review Controls: The Department has implemented enhanced internal controls requiring detailed review of invoices and supporting documentation prior to payment, including verification of cost allowability and program relevance.
5. Documentation and Approval Controls: DSS reviewed GOED's proposed program design and established processes for oversight.
6. Training and Technical Assistance: For future programs, the Department will ensure training to staff and subrecipients is conducted on federal cost principles, allowable activities, and documentation requirements to ensure consistent compliance.
7. Strengthened Interagency Oversight: For future interagency partnerships, the Department will formalize roles, responsibilities, and compliance expectations through written agreements, including defined monitoring and review responsibilities. The Department will implement reviews of reporting requirements to verify completeness and timeliness and to identify and correct issues proactively.

Contact Person: Steve Rasmussen, Chief Financial Officer, Department of Social Services

Anticipated Completion Date: Corrective actions related to policy, training, and internal control enhancements will be implemented during State Fiscal Year 2026 and are ongoing. Any required resolution of questioned costs will be completed in coordination with the federal awarding agency.

**STATE OF SOUTH DAKOTA
AUDITEE PREPARED CORRECTIVE ACTION PLANS
For the Fiscal Year Ended June 30, 2025**

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. 2025-013: Preparation of Financial Statements with Material Audit Adjustment

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.

Finding No. 2025-014: 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 CORN UTILIZATION COUNCIL

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

Finding No. 2025-015: 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, 2025

SOUTH DAKOTA CORN UTILIZATION COUNCIL
(Continued)

Finding No. 2025-016: 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. 2025-017: 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. 2025-018: 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.



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



***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, 2025**

SOUTH DAKOTA INVESTMENT COUNCIL

Finding No. 2024-001: Ineffective Internal Controls over Financial Reporting

Initial Year of Finding: Fiscal Year 2024

Status: Fully Corrected – Corrective Action was Taken

DEPARTMENT OF REVENUE

Finding No. 2024-002: Incorrect Interpretation of SDCL 32-9-15

Initial Year of Finding: Fiscal Year 2024

Status: Fully Corrected – Corrective Action was Taken

Finding No. 2024-003: Inadequate Internal Controls over SDCars System

Initial Year of Finding: Fiscal Year 2024

Status: Fully Corrected – Corrective Action was Taken

STATEWIDE FINANCIAL REPORTING PROCESS

Finding No. 2024-004: Ineffective Internal Controls over Financial Reporting

Initial Year of Finding: Fiscal Year 2023

Status: Fully Corrected – Corrective Action was Taken

DEPARTMENT OF SOCIAL SERVICES

Finding No. 2024-005: Inadequate Controls over the Payment of Claims

Initial Year of Finding: Fiscal Year 2023

Status: Fully Corrected – Corrective Action was Taken

STATE OF SOUTH DAKOTA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2025

DEPARTMENT OF SOCIAL SERVICES
(Continued)

Finding No. 2024-006: Inadequate Internal Controls over Special Tests and Provisions

Initial Year of Finding: Fiscal Year 2024

Status: Repeat audit finding issued in Fiscal Year 2025 Single Audit – see Finding No. 2025-008

Reason for Recurrence: The issuance of the audit finding was near the end of the state's fiscal year; therefore, and system changes were not able to be completed.

Partial Corrective Action Taken: The compliance manager and team have been established. A complication of required elements has been completed. The centralized inventory framework is complete, and the team is exploring tools to automate tracking and management of these activities to ensure completion and documentation. The required biennial assessment was completed in January 2026 and system penetration testing is underway. Department of Social Services (DSS) will utilize the compliance framework and plan to ensure the next required Automatic Data Processing (ADP) assessment report is completed in 2028.

Corrective Action Planned: See Corrective Action Plan for Finding No. 2025-008.

DEPARTMENT OF PUBLIC SAFETY

Finding No. 2024-007: Inadequate Internal Controls over Monitoring of Subrecipient

Initial Year of Finding: Fiscal Year 2024

Status: Fully Corrected – Corrective Action was Taken

DEPARTMENT OF TRANSPORTATION

Finding No. 2024-008: Unallowable Cost Reimbursement under the Highway Planning and Construction Program

Initial Year of Finding: Fiscal Year 2024

Status: Fully Corrected – Corrective Action was Taken

**STATE OF SOUTH DAKOTA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2025**

SOUTH DAKOTA SOYBEAN RESEARCH AND PROMOTIONAL COUNCIL

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

Finding No. 2024-009: Preparation of Financial Statements with Material Audit Adjustment

Initial Year of Finding: Fiscal Year 2010

Status: Repeat audit finding issued in Fiscal Year 2025 Single Audit – see Finding No. 2025-013

Reason for Recurrence: No reason given

Corrective Action Planned: See Corrective Action Plan for Finding No. 2025-013

Finding No. 2024-010: Segregation of Duties

Initial Year of Finding: Fiscal Year 2024

Status: Repeat audit finding issued in Fiscal Year 2025 Single Audit – see Finding No. 2025-014

Reason for Recurrence: No reason given

Corrective Action Planned: See Corrective Action Plan for Finding No. 2025-014

SOUTH DAKOTA CORN UTILIZATION COUNCIL

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

Finding No. 2024-011: Preparation of Financial Statements

Initial Year of Finding: Fiscal Year 2010

Status: Repeat audit finding issued in Fiscal Year 2025 Single Audit – see Finding No. 2025-015

Reason for Recurrence: No reason given

Corrective Action Planned: See Corrective Action Plan for Finding No. 2025-015

**STATE OF SOUTH DAKOTA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2025**

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

Finding No. 2024-012: Segregation of Duties

Initial Year of Finding: Fiscal Year 2021

Status: Repeat audit finding issued in Fiscal Year 2025 Single Audit – see Finding No. 2025-016

Reason for Recurrence: No reason given

Corrective Action Planned: See Corrective Action Plan for Finding No. 2025-016

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

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

Finding No. 2024-013: Grant Expense Over Approved Budgeted Amount

Initial Year of Finding: Fiscal Year 2024

Status: Fully Corrected – Corrective Action was Taken

Finding No. 2024-014: Preparation of Full Disclosure Financial Statements

Initial Year of Finding: Fiscal Year 2021

Status: Repeat audit finding issued in Fiscal Year 2025 Single Audit – see Finding No. 2025-017

Reason for Recurrence: No reason given

Corrective Action Planned: See Corrective Action Plan for Finding No. 2025-017

Finding No. 2024-015: Lack of Proper Segregation of Duties

Initial Year of Finding: Fiscal Year 2021

Status: Repeat audit finding issued in Fiscal Year 2025 Single Audit – see Finding No. 2025-018

Reason for Recurrence: No reason given

Corrective Action Planned: See Corrective Action Plan for Finding No. 2025-018

