



# Government Operations & Audit Committee

Andy Gerlach, Secretary

# OVERVIEW



REVIEW OF AUDIT  
FINDINGS



CORRECTIVE ACTION  
PLANS

# 2017 Audit Findings

- 2017-001: Inadequate Business Tax Internal Controls
- 2017-002: Inadequate Controls over Cash Receipting
- 2017-003: Lack of Motor Fuel Manual Return Waivers
- 2017-004: Insufficient Evidence for Approval of Monthly Revenue Corrections
- 2017-005: Inadequate Motor Vehicle Reconciliations
- 2017-006: Inadequate Bank Tax Internal Controls

# 2017-001: Inadequate Business Tax Internal Controls

- Lack of reconciliation between CEDAR tax system & State accounting system
- Negative agency fund for approximately one week
- July 2016 municipal tax payments not distributed to Pollock
- Hurley was charged the incorrect administrative fee rate
- Department's selection method of licensees for notification of tax rate changes is inconsistent with guidance provided to municipalities

# 2017-001: Corrective Action Plan

- Finance team now fully staffed, processes are being documented, back up support has been assigned, and reconciliations completed monthly
- 2017 SB36 changed payment due dates to eliminate the negative cash balance issue
- Added a control to verify all municipal tax payments are completed
- New process in place using Lean principals for changes in municipal taxes and fees - automated system in place to schedule notifications of system update requirements
- Clarified the process of selecting licensees that will be notified of municipal tax changes

**Corrective Action Plan Status:**

**Resolved**

# 2017-002: Inadequate Internal Controls over Cash Receipting

- Mail is being opened by only one person
- No log is prepared of the money received
- Checks are not immediately restrictively endorsed

# 2017-002: Corrective Action Plan

- Multiple people open all mail, immediately endorse checks and log all monies
- Logs are regularly compared to deposits to account for all monies
- Increased usage of the Remittance Center in Sioux Falls as well as electronic filing and payment further resolve the issue

**Corrective Action Plan Status:**  
**Resolved**

# 2017-003: Lack of Motor Fuel Manual Return Waivers

- Motor Fuel licensees are required to file electronically unless a waiver has been granted to file manually
- 83% of manual returns were not approved for manual filing



# 2017-003: Corrective Action Plan

- An official form is now available to request waiver from electronic filing
- If waiver is approved, a copy of the letter is added to the license record in CEDAR tax system
- CEDAR system programming to notify Motor Fuel staff if a licensee files manually without approval

**Corrective Action Plan Status:**

**Resolved**

# 2017-004: Insufficient Evidence for Approval of Monthly Revenue Corrections

- Digital signature of former employee on multiple monthly revenue corrections

# 2017-004: Corrective Action Plan

- All digital signatures and typed names have been removed from electronic documents
- Only original or approved electronic signatures are acceptable authorization on any voucher, including internal documents like corrections

**Corrective Action Plan Status:**

**Resolved**

# 2017-005: Inadequate Motor Vehicle Reconciliations

- SDCL 32-11-29 was amended for fiscal year 2017, changing the title application fees and the distribution, but the change was not made correctly in the SDCars system
- During reconciliation in August, September and October 2016, unreconciled differences were identified but not resolved until the November 2016 reconciliation and corrected in the December 2016 distribution

# 2017-005: Corrective Action Plan

- The programming has been corrected in SDCars to accurately reflect the correct distribution
- The finance team is currently fully staffed, processes are being documented and back up support has been assigned

**Corrective Action Plan Status:**  
**Resolved**

# 2017-006: Inadequate Bank Tax Internal Controls

- New financial institutions were not entered onto the CEDAR tax system or were not entered timely
- Insufficient contact with new and delinquent taxpayers
- Lack of documentation in CEDAR tax system

# 2017-006: Corrective Action Plan

- Updated procedures for receiving and processing new institutions to include stronger oversight and accountability
- Updated procedures for collecting delinquent returns and/or balance due
- Request an additional FTE to help handle the workload associated with the bank franchise tax program

**Corrective Action Plan Status:**

**Resolved**

# In Closing

- Long term vacancies and hard to fill positions cause significant challenges for departments
- The Department of Revenue has taken these findings seriously and moved quickly to find resolution for each finding



**Questions?**