



427 SOUTH CHAPELLE
C/O 500 EAST CAPITOL
PIERRE SD 57501-5070
(605) 773-3595
FAX (605) 773-6454

MARTIN L. GUINDON, CPA
AUDITOR GENERAL

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To: Government Operations and Audit Committee

From: Bob Christianson

Subject: Separately issued audit reports

The following is a listing of the audits performed by the Department of Legislative Audit and the audit reports issued by the Department of Legislative Audit and by Independent Public Accountants for fiscal year 2009. I have attached copies of all findings issued as a part of the audits. I have not attached copies of the audit reports listed below as they are out on our website

Reports issued for Fiscal Year 2009 by the Department of Legislative Audit:

1. Department of Tourism and State Development

Report covers: Revolving Economic Development and Initiative Fund, an enterprise fund of the State of South Dakota.

Opinion: Unqualified

Written findings: None

2. South Dakota Economic Development Finance Authority

Report covers: Audit of the Economic Development Finance Authority, a business-type component unit of the State of South Dakota.

Opinion: Qualified for omission of an allowance for loan loss.

Written findings: None

3. South Dakota Building Authority

Report covers: Audit of the South Dakota Building Authority, a business-type component unit of the State of South Dakota.

Opinion: Unqualified

Written findings: None

4. Education Enhancement Funding Corporation

Report covers: Audit of the Education Enhancement Funding Corporation, a business-type component unit of the State of South Dakota.

Opinion: Unqualified

Written findings: None

5. Bureau of Finance and Management

Report covers: Audit of Cement Plant Retirement Fund, a pension fund of the State of South Dakota.

Opinion: Unqualified

Written findings: None

6. South Dakota Lottery

Report covers: South Dakota Lottery Fund, an enterprise fund of the State of South Dakota.

Opinion: Unqualified

Written findings: None

7. South Dakota Board of Water and Natural Resources

Report covers: Clean Water State Revolving Fund, an enterprise fund of the State of South Dakota.

Opinion: Unqualified

Written findings: None

8. South Dakota Board of Water and Natural Resources

Report covers: Drinking Water State Revolving Fund, an enterprise fund of the State of South Dakota.

Opinion: Unqualified

Written findings: None

9. South Dakota Investment Council

Report covers: Audit of certain portfolios managed by the Investment Council including: Cash Flow Portfolio, Dakota Cement Trust Portfolio, Cement Plant Retirement Portfolio, Education Enhancement Trust Portfolio, and, Health Care Trust Portfolio.

Opinion: Unqualified

Written findings: None

10. South Dakota Science and Technology Authority

Report covers: South Dakota Science and Technology Authority, a business-type component unit of the State of South Dakota.

Opinion: Unqualified

Written findings: None

11. South Dakota Comprehensive Annual Financial Report

Report covers: South of South Dakota

Opinion: Unqualified

Written findings: Yes.

1. Statewide Financial Reporting Process – Single Audit pages 256-258. Controls were not adequate to ensure the accuracy of amounts reported in the State's financial statements including the identification and correction of reporting errors and omissions.
2. Board of Regents – pages 288-291. Controls were not adequate to ensure the accuracy of amounts reported in the financial statements, including the identification and correction of reporting errors and omissions.
3. Department of Human Services – pages 292-293. Expenditures reported as Medicare – Hospital Insurance were improperly included on the Schedule of Expenditures of Federal Awards.

As a part of the FY2009 South Dakota Single Audit, the following federal grant programs were audited by the Department of Legislative Audit.

Office of the Governor

- State Fiscal Stabilization Fund Cluster – *no audit findings*

Finance Authority

- Intermediary Relending Program – *no audit findings (prior finding resolved)*

Department of Game, Fish and Parks

- Fish and Wildlife Cluster - *no audit findings*
- Title VI – Missouri River Implementation, *audit finding, see pages 269-270*

Department of Social Services

- Medicaid - *no audit findings*
- Aging Cluster - *audit finding, see pages 271-274*
- Low-Income Home Energy Assistance Program- *audit finding, see pages 274-275*
- Temporary Assistance for Needy Families - *no audit findings*
- Child Care Development Funds Cluster - *no audit findings*

Department of Labor

- Employment Services Cluster - *no audit findings*
- Workforce Investment Act (WIA) Cluster - *no audit findings*

Department of Transportation

- Highway Planning and Construction Cluster - *audit finding, see pages 285-286*
- Airport Improvement Program - *no audit findings*
- National Railroad Passenger Corporation – Amtrak - *no audit findings*

Department of Education

- Title I, Grants to Local Education Agencies - *no audit findings*
- Twenty-First Century Community Learning Centers - *no audit findings*
- Improving Teacher Quality State Grants - *no audit findings*
- Special Education Cluster - *no audit findings*
- Food Donation - *audit finding, see page 287*

Department of Military and Veterans Affairs

- Master Cooperative Agreement - *no audit findings*

Department of Human Services

- Rehabilitation Services-Vocational Rehabilitation Grants to States – *no audit findings*

Department of Environment and Natural Resources

- Capitalization Grants for Clean Water State Revolving Funds - *no audit findings*
- Capitalization Grants for Drinking Water State Revolving Funds - *no audit findings*

Other audit performed by the Department of Legislative Audit.

1. South Dakota High School Activities Association

Report covers: Financial statements of the South Dakota High School Activities Association

Opinion: Unqualified

Written findings: None

The following reports were issued for Fiscal Year 2009 by Independent Public Accountants (IPA):

1. South Dakota Board of Directors for Educational Telecommunications

Report covers: South Dakota Board of Directors for Educational Telecommunications an agency of the State of South Dakota and a special revenue fund of the South Dakota reporting entity.

IPA: Quam & Berglin, CPA's

Opinion: Unqualified

Written findings: None

2. South Dakota Department of Agriculture

Report covers: Soybean Research and Promotion Council, a special revenue fund of the State of South Dakota.

IPA: Eide Bailly

Opinion: Unqualified

Written findings: Yes. *See pages 261-262*

1. The Council does not have proper controls over financial reporting which include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.
2. The calculation of two assessments to be remitted to the United Soybean Board (USB) contained overstatements totaling \$10,893 for the first two quarters of fiscal year 2009.

Report covers: Corn Check-Off Fund of the South Dakota Corn Utilization Council, a special revenue fund of the State of South Dakota.

IPA: Eide Bailly

Opinion: Unqualified

Written findings: Yes. *See pages 263-265*

1. There is a lack of segregation of duties within the cash receipts/revenue and expenditure functions. The same individual, who reconciles revenue received to the remittance forms, prepares vouchers to request funds, opens the mail, prepares the deposit, records amounts to the general ledger and reconciles the bank statement. The individual also prepares checks, records disbursements to the general ledger and mails checks.
2. Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.
3. During the course of our engagement, we identified two significant audit adjustments. The first adjustment was made to accurately reflect accounts payable, which was understated by \$84,000. The second significant audit adjustment was to adjust the investment account by \$103,000 to market value.

3. South Dakota Department of Health

Report covers: South Dakota Board of Dentistry, an enterprise fund of the State of South Dakota.

IPA: Ronald G. Tedrow, CPA

Opinion: Unqualified

Written findings: Yes. *See page 276*
1. There is a lack of segregation of duties for the revenue and financial reporting functions.

Report covers: South Dakota Board of Medical and Osteopathic Examiners, an enterprise fund of the State of South Dakota.

IPA: Eide Bailly

Opinion: Unqualified

Written findings: Yes. *See page 277-278*
1. Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.
2. Proper controls over financial reporting include the reconciliation of accounts and preparation and review of journal entries to the general ledger to ensure account balances are materially correct.

4. South Dakota Department of Labor

Report covers: Unemployment Insurance Fund, an enterprise fund of the State of South Dakota. Including the audit of the Unemployment Insurance program.

IPA: Ketel Thorstenson, LLP

Opinion: Unqualified

Written findings: Yes. *See pages 279-283*
1. Audit Adjustments
2. Preparation of the Financial Statements
3. Review of Journal Entry Posting
4. Postdating of Employer Batches and Reporting of Inaccurate Data
5. Filing of Late and Inaccurate Federal Reports
6. Overpayment of Benefit Payments

5. South Dakota Retirement System

Report covers: South Dakota Retirement System, a pension fund of the State of South Dakota, South Dakota Retirement System Supplemental Retirement Plan, and, South Dakota Retirement System Special Pay Plan

IPA: KPMG

Opinions: Unqualified

Written findings: None

6. South Dakota Housing Development Authority

Report covers: South Dakota Housing Development Authority, a component unit of the State of South Dakota. Including the audit of the Home Investment in Affordable Housing grant program.

IPA: Eide Bailly

Opinion: Unqualified

Written findings: Yes. *See pages 294-296*
1. Management did not prepare and provide the methodology for the allowance for uncollectible receivables with respect to the various types of receivables.

2. Unspent program income funds were held in an account and were not spent prior to drawing additional funds from the U.S. Department of Housing and Urban Development (HUD).

7. South Dakota Health and Educational Facilities Authority

Report covers: Financial statements of the Health and Educational Facilities Authority

IPA: Eide Bailly

Opinion: Unqualified

Written findings: None

Independent Public Accountants also performed agreed-upon procedures audits for the South Dakota Board of Cosmetology and the Plumbing Commission. There were no findings associated with these two entities.