

## DEPARTMENT OF REVENUE

### CURRENT AUDIT FINDING AND RECOMMENDATIONS

Financial Statement Audit Finding:

**Finding No. 2019-001: Inadequate Segregation of Duties over Access Rights**

**Type of Finding: Significant Deficiency**

**Criteria:**

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the *Internal Control – Integrated Framework (2013 Framework)* defined internal control as:

... a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.

The Government Accountability Office – *Standards for Internal Control in the Federal Government* principle of internal control 10 states, "The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels." and principle 12 states, "The organization deploys control activities through policies that establish what is expected and procedures that put policies into action."

The Government Accountability Office – *Standards for Internal Control in the Federal Government* principle of internal control 16 states, "[m]anagement should establish and operate monitoring activities to monitor the internal control system and evaluate the results" and principle 17 states, "[m]anagement should remediate identified internal control deficiencies on a timely basis".

**Condition:**

In the prior audit, we noted that two employees had edit access rights to both the CEDAR system and the South Dakota Accounting System (SDAS). We communicated to management that only necessary CEDAR system edit rights be provided for Department of Revenue (DOR) accountants or that policies be developed to ensure that the accountants with those rights do not have access to any cash or checks. Follow-up testing for FY2019 identified that the DOR's entire accounting department has edit access rights to both the CEDAR system and SDAS. Policies and procedures have not been developed to compensate for this weakness. This represents a significant lack of segregation of duties and presents a general security risk.

**Cause:**

The internal controls over access rights are not adequate to ensure proper segregation of duties.

**Effect:**

As a result of inadequate controls over access rights, an employee could alter records without the knowledge of management or other staff. This could allow for hiding errors, incorrect or improper returns, or the misappropriation of assets.

**Repeat Finding from Prior Year:**

No

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(Continued)

Recommendations:

1. We recommend that controls be implemented to ensure segregation of duties among accounting staff.
2. We recommend formal policies and procedures be developed to provide guidance regarding access rights.
3. We recommend the implementation of monitoring so that there is oversight if the duties cannot be separated.

Views of Responsible Officials:

The department concurs with this audit finding.