

**State of South Dakota**  
**Schedule of Prior and Current Audit Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2009**

**Summary of Auditor's Results**

Financial Statements

|   |             |
|---|-------------|
| Type of auditor's report issued:  | Unqualified |
| Internal control over financial reporting:                                    |             |
| Material weaknesses identified?   | Yes         |
| Significant deficiencies identified not considered to be material weaknesses? | Yes         |
| Noncompliance material to financial statements noted?                         | No          |

Federal Awards

|   |             |
|---|-------------|
| Internal control over major programs:   |             |
| Material weaknesses identified?   | No          |
| Significant deficiencies identified not considered to be material weaknesses                                      | Yes         |
| Type of auditor's report issued on compliance for major programs  | Unqualified |
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a) | Yes         |

Identification of major federal programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u>                      |
|---------------------|--|
| 10.550              | Food Donation  |
| 12.401              | Master Cooperative Agreement                                   |
| 14.239              | Home Investment in Affordable Housing                          |
| 17.225              | Unemployment Insurance   |
| 20.106              | Airport Improvement Program                                    |
| 20.205              | Highway Planning & Construction                                |
| 20.UNKNOWN          | National Railroad Passenger Corporation - Amtrak               |
| 66.458              | Capitalization Grants for Clean Water State Revolving Funds    |
| 66.468              | Capitalization Grants for Drinking Water State Revolving Funds |
| 84.010              | Title I Grants to Local Educational Agencies                   |
| 84.126              | Rehabilitation Services – Basic Support                        |

|          |  |
|----------|--|
| 84.287   | After School Learning Center Formula Award                   |
| 84.367   | Improving Teacher Quality State Grants                       |
| 93.069   | Public Health Emergency Preparedness                         |
| 93.558   | Temporary Assistance for Needy Families                      |
| 93.568   | Low-Income Home Energy Assistance                            |
| 84.394   | ARRA – State Fiscal Stabilization Fund – Education Grants    |
| 84.397   | ARRA – State Fiscal Stabilization Fund – Government Services |
| AG       | Aging Cluster  |
| CCDF     | Child Care Development Funds Cluster                         |
| ES       | Employment Service   |
| FW       | Fish and Wildlife Cluster                                    |
| Medicaid | Medicaid Cluster   |
| SE       | Special Education Cluster                                    |
| WIA      | Workforce Investment Act Cluster                             |

Dollar threshold used to distinguish between Type A and Type B programs - \$4,500,000

Auditee Qualified as low-risk auditee? No

**Post - Audit Authority**

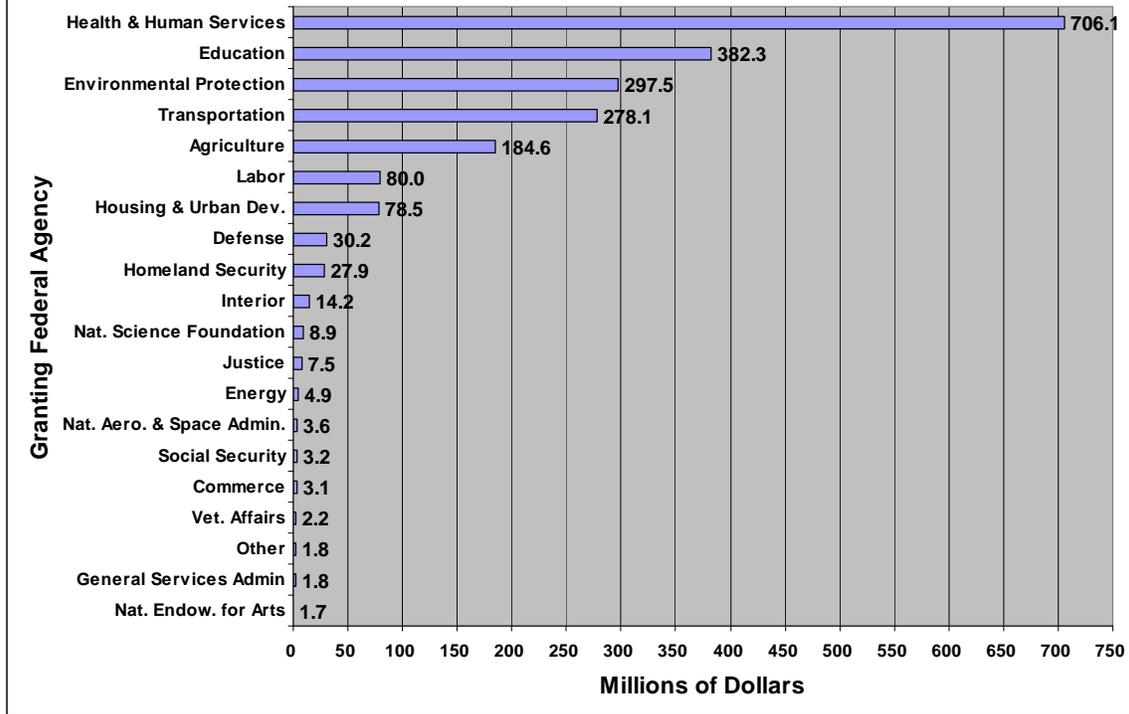
The Single Audit of the State of South Dakota was conducted by the Department of Legislative Audit pursuant to South Dakota Codified Laws (SDCL) 4-11-2, the Single Audit Act Amendments of 1996 and the Office of Management and Budget, Circular A-133. A single audit encompasses the operations of the entire reporting entity. It includes an audit of the financial statements and reports on internal control and compliance with state and federal laws and regulations.

**Audit Scope**

The State of South Dakota’s entire reporting entity is included in the populations which are subjected to our audit procedures and testing. State and federal programs are tested for compliance with applicable laws, rules and regulations.

Various federal departments provide financial assistance to the State of South Dakota. These funds were expended during FY 2009 as depicted in the following graph.

## Federal Funds Expended in FY09



Based on a mandated risk based approach prescribed in OMB Circular A-133, all individual federal programs in excess of \$300,000 have a risk assessment performed on them annually. Any federal program in excess of \$4,500,000 must be included within the audit scope at least once every three years regardless of the level of risk associated with the program. Any federal program identified by a federal department as being a high risk program must also be included within the audit scope. Based on these risk assessments and requirements, federal programs are selected to be included within the audit scope. For FY 2009, those federal programs identified as major federal programs in the summary provided above were included within the FY 2009 audit scope and were tested for compliance with federal laws, rules and regulations. Those federal programs make up approximately 67.6% of all federal funds expended by the state. Any State funding used to provide the required matching requirements of federal programs was also included within the scope of the testing. For example, for the quarter ending June 30, 2009, Medicaid was funded with 70.64% federal dollars and 29.36% State dollars.

In addition to the audit testing over major federal programs, testing was also performed on State funds. The testing was performed by the Department of Legislative Audit and certified public accounting firms based upon: 1) state or federal laws requiring separately issued audit reports for certain funds or entities; 2) state match funding for federal programs tested; and, 3) the significance of and the perceived audit risk associated with State funds and accounts.

Separately issued annual financial and compliance audits include the following funds/entities:

- Revolving Economic Development Loan Program Fund;
- Clean Water State Revolving Fund;
- Drinking Water State Revolving Fund;

- State Lottery Operating Fund;
- Cement Plant Retirement Fund;
- Unemployment Insurance Fund
- South Dakota Building Authority;
- Housing Development Authority;
- Finance Authority;
- South Dakota Science and Technology Authority;
- Education Enhancement Funding Corporation;
- South Dakota Retirement System;
- Portfolios managed by the South Dakota Investment Council, including;
  - Cash Flow Portfolio;
  - Dakota Cement Trust Portfolio;
  - Education Enhancement Trust portfolio;
  - Health Care Trust Portfolio;
  - School and Public Lands Portfolio;
  - Cement Plant Retirement System Portfolio; and,

The significant areas identified and included in the testing of the financial statements were as follows:

Primary Government:

- Central payroll process;
- Central expenditure approval process;
- Department of Revenue and Regulation tax collections including: sales and use, contractors' excise, motor vehicle, motor fuel and bank card/franchise;
- Selected internal service fund balances and activity for the Self-Insurance Fund, Bureau of Personnel Labor and Management Program and Bureau of Information and Telecommunications;
- State aid to education disbursements;
- Infrastructure assets maintained by the Department of Transportation;
- Central fixed asset system; and,
- Year-end accrual entries.

Component Unit:

- Higher Education, including balances and activity relating to tuition and fees, sales and services, payroll, disbursements, capital assets, bonds payable, compensated absences payable, and cash. Affiliated organizations required to be reported in accordance with Governmental Accounting Standards were audited by other auditors.

### **Audit Results**

Eight current written federal compliance audit findings were reported and \$235,147 was identified as questioned costs relating to major federal programs. Questioned costs are costs that are questioned because they are in violation of federal law; are not properly supported by adequate documentation; or, are unreasonable or unnecessary. The federal government will determine the final resolution of questioned costs.

Sixteen current written audit findings were reported involving financial statement reporting issues. For specifics on each written audit finding, please refer to the Schedule of Audit Findings and Questioned Costs.

One current written audit finding was reported involving State funds. For specifics on each written audit finding, please refer to the Schedule of Audit Findings and Questioned Costs.

The Government Operations and Audit Committee of the South Dakota Legislature reviews the State's Single Audit Report and all separately issued audit reports involving the State of South Dakota reporting entity. The main audit related purposes of the committee are to review audit reports generated by the Department of Legislative Audit and investigate any area of concern of the committee.