

DEPARTMENT OF HEALTH
BOARD OF MEDICAL AND OSTEOPATHIC EXAMINERS

The following was issued under a separate audit of the Board of Medical and Osteopathic Examiners by Eide Bailly.

PRIOR AUDIT FINDING

Financial Statement Audit Finding:

Finding No. 09205200801:

Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.

Auditee's Corrective Action Plan:

See Current Audit Finding No. 09205200901.

CURRENT AUDIT FINDINGS AND RECOMMENDATIONS

Financial Statement Audit Finding:

Finding No. 09205200901:

Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.

Analysis:

The Board 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. We proposed several significant adjustments to the general ledger during the audit. This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

The control deficiency could result in a misstatement to the presentation of the financial statements.

Inadequate controls over financial reporting of the Board result in the more than remote likelihood that the Board would not be able to draft the financial statements and

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accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

RECOMMENDATION:

1. While we recognize that this condition is not unusual for an organization 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 reporting of the Board and changes in reporting requirements.

Auditee's Corrective Action Plan:

Since it is not cost-effective for an organization our size to have staff to prepare audit-ready financial statements, we have chosen to hire Eide Bailly, a public accounting firm, to prepare the audit financial statements as part of their annual audit of South Dakota Board of Medical and Osteopathic Examiners.

Finding No. 09205200902:

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.

Analysis:

Several significant audit adjustments were needed to accurately reflect the prior year unrestricted net assets, current year interest receivable, accounts payable, wages payable, and compensated absences, which caused an aggregate increase to net assets by approximately \$234,000.

The control deficiency could result in a misstatement to the presentation of the financial statements.

Inadequate controls over financial reporting of the organization could result in the likelihood that the organization would not be able to identify necessary journal entries and post them to the general ledger.

RECOMMENDATION:

2. Management should review and discuss entries that have been made, and ensure similar entries are posted at each period end to ensure accurate internal financial information is being presented.

Auditee's Corrective Action Plan:

Management has agreed to make these changes going forward and will focus on making similar period end adjusting entries that have been proposed as audit adjustments in the past.