SOUTH DAKOTA DEPARTMENT OF LABOR AND REGULATION

AGREED-UPON PROCEDURES
JUNE 30, 2016

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

The Honorable Dennis Daugaard
Governor of South Dakota
and
The South Dakota Department of Labor and Regulation
Pierre, South Dakota

We have performed the procedures enumerated below for the year ended June 30, 2016, which were agreed to by the **South Dakota Department of Labor and Regulation** (the Department). These procedures are solely to assist the Department in evaluating the effectiveness of the **South Dakota State Electrical Commission's** (the Organization's) accounting system. The Organization's management is responsible for the accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

A. Procedures: We inquired with management regarding the internal control processes as they relate to cash receipts and disbursements.

Findings: A general lack of segregation of duties exists. Specifically, the current internal control environment allows individuals with access to cash payments received the ability to post payments to the license database. The resulting risk is cash payments received may be misappropriated and concealed through the posting of journal entries.

B. Procedures: We selected a sample of 15 licensed individuals from the listing of new licenses issued report provided to the board of directors. To determine the completeness of this listing, we also selected a sample of 5 individuals from the license files and noted the licensee was either properly included or excluded from the listing mentioned above based on documentation included in the licensee's file. For all individuals selected, we agreed the license fee charged with the rate schedule. We determined the rate schedule was in accordance with state administrative rule. We traced the payment received to the respective receipt. We noted the daily receipt batch total agreed to the revenue voucher provided to the Department of Labor and Regulation to prepare the monthly revenue summary.

Findings: No findings were noted.

C. Procedures: We selected a sample of 40 inspections finalized during the year from the Organization's inspection database. For the inspections selected for testing, we determined the reasonableness of the fee based on comments input into the database by the inspectors regarding the types of services performed and review of the inspection fee schedule. We determined the fee schedule was in accordance with state administrative rule. We traced the payment received to the respective receipt. We agreed the daily receipt batch total to the revenue voucher provided to the Department of Labor and Regulation to prepare the monthly revenue summary.

Findings: Through our work of testing inspection fees, we noted one instance where the daily receipt batch did not agree to the voucher provided to the Department of Labor and Regulation for administrative costs. This was due to one misclassified administrative fee posting that was classified as inspection fees. As the posting was a misclassification between revenue types, there is no impact on total revenues.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records and financial statements of the Organization. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Dakota Department of Labor and Regulation and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

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January 19, 2017