



Federal Awards Reports  
June 30, 2022

# South Dakota Science and Technology Authority

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**Independent Auditor’s Report on Compliance for the Cooperative Agreement with the U.S. Department of Energy’s Office of Science for the Sanford Underground Research Facility (SURF); Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards of the South Dakota Science and Technology Authority’s Cooperative Agreement**

The Honorable Kristi Noem  
Governor of South Dakota  
and  
Board of Directors  
South Dakota Science and Technology Authority  
Lead, South Dakota

**Report on Compliance**

***Opinion on the Cooperative Agreement***

We have audited the South Dakota Science and Technology Authority’s (the Authority) compliance with the Cooperative Agreement applicable to the Authority’s U.S. Department of Energy’s Office of Science for the Sanford Underground Research Facility (SURF) – Operations Program (Cooperative Agreement) for the year ended June 30, 2022.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that are applicable to the Cooperative Agreement for the year ended June 30, 2022.

***Basis for Opinion on the Cooperative Agreement***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the and with the compliance criteria prescribed in the *OMB Compliance Supplement* that we considered to be direct and material to the Cooperative Agreement. Our audit does not purport to, and does not meet, the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform and Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Our responsibilities under those standards and the Cooperative Agreement are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the Cooperative Agreement. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

#### ***Other Matter – Federal Expenditures Not Included in the Compliance Audit***

As discussed in Note A, the schedule of expenditures of federal awards of the Authority's Cooperative Agreement is intended to present only the expenditures of federal awards of the Cooperative Agreement. The schedule does not purport to, and does not, present fairly the expenditures of federal awards of the State of South Dakota or the South Dakota Science and Technology Authority as of and for the year ended June 30, 2022, in conformity with the Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's government programs.

#### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the OMB Compliance Supplement will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the OMB Compliance Supplement, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the OMB Compliance Supplement, but not for the purpose of expressing an opinion on the effectiveness of The Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on The Authority's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the OMB Compliance Supplement. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards of the Cooperative Agreement**

We have audited the financial statements the South Dakota Science and Technology Authority, a component unit of the State of South Dakota, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated December 15, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards of the Cooperative Agreement is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards of the Cooperative Agreement is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Eide Bailly LLP*

Denver, Colorado  
January 30, 2023

**South Dakota Science and Technology Authority**  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS OF THE COOPERATIVE AGREEMENT WITH THE U.S.  
 DEPARTMENT OF ENERGY'S OFFICE OF SCIENCE FOR THE SANFORD UNDERGROUND RESEARCH FACILITY (SURF)  
 – OPERATIONS PROGRAM (COOPERATIVE AGREEMENT)  
 Year ended June 30, 2022

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<u>Program Description</u>	<u>Federal Assistance Listing/CFDA Number</u>	<u>Federal Expenditures</u>
<b>U.S. DEPARTMENT OF ENGERGY</b>		
Office of Science - Chicago Office of Acquisition/Assistance	81.049	\$ 32,448,003

South Dakota Science and Technology Authority  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS OF THE COOPERATIVE AGREEMENT WITH  
THE U.S. DEPARTMENT OF ENERGY'S OFFICE OF SCIENCE FOR THE SANFORD UNDERGROUND RESEARCH  
FACILITY (SURF) – OPERATIONS PROGRAM (COOPERATIVE AGREEMENT)  
Year ended June 30, 2022

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**Note A – Basis of Presentation**

The South Dakota Science and Technology Authority (Authority) is a discretely presented business-type activities component unit of the State of South Dakota. The accompanying schedule of expenditures of federal awards of the Authority's Cooperative Agreement is intended to present only the expenditures of federal awards of the Cooperative Agreement as directed by the South Dakota Department of Legislative Audit. The schedule does not purport to, and does not, present fairly the expenditures of federal awards of the State of South Dakota or the South Dakota Science and Technology Authority as of and for the year ended June 30, 2022, in conformity with the Title 2 *U.S. Code of Federal Regulations Part 200, Uniform and Administrative Requirements, Cost Principles, and the Audit Requirements for Federal Awards*. In addition, the schedule presents only a selected portion of the operations of the Authority, it is not intended to, and does not, present the financial position, changes in net position or cash flows of the Authority.

**Note B – Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note C – Indirect Cost Rate**

The SDSTA has elected not to use the 10-percent indirect cost rate as allowed under the Uniform Guidance.

**Section I – Summary of Auditor’s Results**

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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 Unmodified

Any audit findings disclosed that are required to be reported  
in accordance with 2 CFR 200.516 Yes

Identification of the program audited:

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing/CFDA Number</u>
SURF (Sanfor Underground Research Facility) Operations Support	81.049

**Section II – Federal Award Findings and Questioned Costs**

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**2022-001      U.S. Department of Energy  
Passed Through the State of South Dakota  
Federal Financial Assistance Listing/CFDA Number 81.049  
Sanford Underground Research Facility (SURF) Operations Support**

**Procurement, Suspension and Debarment  
Significant Deficiency in Internal Controls over Compliance**

*Criteria:* The Sanford Underground Research Facility (SURF) Operations Support program provides federal funds to support its mission of advancing world-class science and inspire learning across generations. There are compliance requirements regarding procurement, suspension and debarment to ensure federal funds are being expended in accordance with the grant agreements. Furthermore, the Uniform Guidance, Section 200.303 Internal Controls, requires that the non-Federal entity must establish and maintain documentation of effective internal controls over Federal awards that provide reasonable assurance that awards are being managed in compliance with Federal statutes, regulations and the terms and conditions of the Federal award.

*Condition:* We tested procurement, suspension and debarment for 22 vendor expenditures. We noted the following in our testing:

- One instance where the required request for proposal was not able to be located.
- One instance where various applicable provisions required by Appendix II to 2 CFR Part 200 were not included in the contract.

*Cause:* The Authority failed to ensure that the internal controls surrounding compliance over the program's procurement, suspension and debarment criteria were in place related to data maintained by employee's that are no longer employed with the Authority. As such, information related to the request for proposal work that was performed by an employee no longer with the Authority could not be located when requested for the audit. Additionally, controls were not in place to ensure that all applicable required provisions are included in all federal contracts.

*Effect:* Transactions could be entered into with vendors that do not follow the Authority's written procurement policies and that do not include the proper contract provisions.

*Questioned Costs:* None to report

*Context/Sampling:* A nonstatistical sample of 22 vendors out of 144 were selected for procurement, suspension and debarment testing.

*Repeat Finding from Prior Year(s):* No

*Recommendation:* We recommend the Authority implement controls which include a review of contracts to ensure they contain the proper provisions and institute document retention policies.

*Views of Responsible Officials:* Agree