



SOUTH DAKOTA
GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT

**GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT RESPONSE TO
INTERNAL CONTROLS EXAMINATION REPORT – EIDE BAILLY**

GENERAL CONCERNS:

Area of Concern 1.

The Bureau of Human Resource's employee handbook fails to adequately discuss fraud and its consequences.

Corrective Action: See attached letter from the Bureau of Human Resources.

Area of Concern 2.

Employees are not aware of the available channels for reporting employee theft and fraud.

Corrective Action: See attached letter from the Bureau of Human Resources.

Area of Concern 3.

Background checks are not performed on all new hires at GOED.

Corrective Action: GOED is looking into the legality and process for requiring and obtaining background checks on certain new hires at GOED.

EMPLOYEE EXPENSE REIMBURSEMENTS:

Area of Concern 1.

It appears that employee expense reimbursements and directly billed travel expenses are not compared when approving and processing employee reimbursements.

Corrective Action: See attached letter from the Office of the State Auditor.

Area of Concern 2.

Employee expense reimbursements are not required to be submitted within a set period of time after the expense is incurred.

Corrective Action: See attached letter from the Office of the State Auditor.

PAYROLL:

Area of Concern 1.

The Director of Administration adds and removes employees from the accounting system as well as processes employee payroll.

Corrective Action: GOED setup an additional procedural step in its payroll process, which automatically generates and distributes a payroll distribution register to the Commissioner and Deputy Commissioner at the close of each pay period. The payroll distribution register lists each employee and their respective pay for that period, affording an additional control to safeguard the integrity of the payroll process.

SPECIAL EVENTS:

Area of Concern 1.

The sale of shirts and hats for the Governor's Hunt are not formally reconciled to the cash and checks that are received.

Corrective Action: GOED has implemented a process for tracking and logging the inventory and sales which will be reconciled to the cash and checks received.

PROGRAM SPECIFIC:

Area of Concern 1.

A small percentage of future fund grants lack adequate third party supporting documentation to evidence the fulfillment of the grant requirements.

Corrective Action: GOED's Future Fund Internal Control Document has been updated to specify what constitutes acceptable supporting documentation. Additionally, agreements will include the specific documentation required to evidence the fulfillment of the grant requirements.

Area of Concern 2.

Community Development Block Grant and Ethanol Infrastructure Incentive Program vouchers are prepared by the Grant Administrator and then approved by the Director of Administration. The approved vouchers go back to the Grant Administrator to send to the State Auditor's Office.

Corrective Action: GOED confirmed that once the vouchers are approved by the Director of Administration the amount to be paid is locked in the system and cannot be changed, negating the potential for the Grant Administrator to further alter the payment. Nonetheless, GOED adjusted its procedures to ensure someone other than the Grant Administrator sends the approved voucher to the State Auditor's Office.

Attachments

1. Bureau of Human Resources letter
2. Office of the State Auditor letter