



Federal Awards Reports in Accordance  
with the Uniform Guidance  
June 30, 2022

# Children's Home Society of South Dakota

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**Independent Auditor’s Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

The Board of Directors  
Children's Home Society of South Dakota  
Sioux Falls, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Children's Home Society of South Dakota and Children's Home Foundation (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated **December 30, 2022**December 30, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization’s consolidated financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a significant deficiency.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The Organization's Responses to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Organization's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's responses were not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the responses.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Sioux Falls, South Dakota  
December 30, 2022



**Independent Auditor’s Report on Compliance for The Major Federal Program;  
Report on Internal Control Over Compliance; and Report on the Consolidated Schedule of  
Expenditures of Federal Awards Required by the Uniform Guidance**

The Board of Directors  
Children's Home Society of South Dakota  
Sioux Falls, South Dakota

**Report on Compliance for the Major Federal Program**

***Opinion on the Major Federal Program***

We have audited Children's Home Society of South Dakota and Children’s Home Foundation’s (collectively, the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Organization’s major federal program for the year ended June 30, 2022. The Organization’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2022.

***Basis for Opinion on the Major Federal Program***

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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance 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 Organization 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 major federal program. Our audit does not provide a legal determination of the Organization’s compliance with the compliance requirements referred to above.

### ***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 Organization's federal 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 Organization'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 Uniform Guidance 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 Organization's compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, 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 Organization'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 Organization'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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*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 with a type of compliance requirement of a federal program 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 type of compliance requirement of a federal program 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 with a type of compliance requirement of a federal program 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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-003 and 2022-004 to be significant deficiencies.

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 Organization's responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Consolidated Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the consolidated financial statements of the Organization as of and for the year ended June 30, 2022, and have issued our report thereon dated December 30, 2022, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidated schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidated schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Eide Bailly LLP*

Sioux Falls, South Dakota  
December 30, 2022



Children's Home Society of South Dakota  
Consolidated Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
<u>Department of Agriculture</u>			
Passed through State of South Dakota Department of Education and Cultural Affairs			
Child Nutrition Cluster			
School Breakfast Program	10.553	493200	\$ 93,497
National School Lunch Program	10.555	493200	183,160
COVID-19 - National School Lunch Program	10.555	493200	37
Total Child Nutrition Cluster			<u>276,694</u>
Child and Adult Care Food Program	10.558	493200	62,810
COVID-19 - Child and Adult Care Food Program	10.558	493200	3,449
Total Child and Adult Care Food Program			<u>66,259</u>
Total for Department of Agriculture			<u>342,953</u>
<u>Department of Justice</u>			
Passed through State of South Dakota Department of Public Safety			
Crime Victim Assistance	16.575	2022-COMBO-00022 2022-COMBO-00011	813,322
Passed through South Dakota Network Against Family Violence and Sexual Assault			
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault	16.736	2016-WH-AX-0001	7,392
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2016-WE-AX-0003	28,103
Total for Department of Justice			<u>848,817</u>
<u>Department of Health &amp; Human Services</u>			
Passed through State of South Dakota Department of Social Service			
TANF Cluster		2021-0823-301	
Temporary Assistance for Needy Families	93.558	2022-0821-301	427,054
Passed through State of South Dakota Department of Public Safety			
COVID-19 - Family Violence Prevention & Services/ Domestic Violence Shelter and Supportive Service	93.671	2021-ARP-00017	33,000
Total for Department of Health & Human Services			<u>460,054</u>
Total Federal Financial Assistance			<u>\$ 1,651,824</u>

**Note 1 - Basis of Presentation**

The accompanying consolidated schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Children's Home Society of South Dakota and Children's Home Foundation (collectively, the Organization) under programs of the federal government for the year ended June 30, 2022. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the consolidated financial position, changes in net assets or cash flows of the Organization.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, 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. No federal financial assistance has been provided to a subrecipient.

**Note 3 - Indirect Cost Rate**

The Organization has not elected to use the 10% de minimis cost rate.

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

**CONSOLIDATED FINANCIAL STATEMENTS**

Type of auditor's report issued	Unmodified
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 program:	
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 Uniform Guidance 2 CFR 200.516(a):	Yes

**Identification of major programs:**

<u>Name of Federal Program</u>	<u>Federal Financial Assistance Listing/CFDA Number</u>
Crime Victim Assistance	16.575
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

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**Section II – Consolidated Financial Statement Findings**

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**2022-001      Preparation of Consolidated Financial Statements and Consolidated Schedule of Expenditures of Federal Awards and Material Audit Adjustments**  
**Material Weakness**

*Criteria:* Proper controls over financial reporting include an adequate system for recording and processing entries to the consolidated financial statements, as well as the ability to prepare consolidated financial statements, the consolidated schedule of expenditures of federal awards (SEFA) and accompanying notes to the consolidated financial statements that are materially correct.

*Condition:* As auditors, we were requested to draft the consolidated financial statements and accompanying notes to the consolidated financial statements. In addition, we proposed a material audit adjustment that would not have been identified as a result of the Organization's existing internal controls; and therefore, could have resulted in a material misstatement within the consolidated financial statements and SEFA.

*Cause:* The Organization relies on the auditor to provide the necessary understanding and disclosure guidance in the preparation of the consolidated financial statements.

*Effect:* The effect of this condition is that the year-end financial reporting is prepared by a party outside of the Organization. The outside party does not have the same comprehensive understanding of the Organization as its internal financial staff. Intercompany activity and net assets without donor restrictions were adjusted by a material amount.

*Recommendation:* We recommend management continue reviewing the consolidated financial report and SEFA prepared by the auditors. Management and the board of directors should continually be aware of the financial accounting and reporting requirements of the Organization as well as changes in these requirements. It is the responsibility of the Organization's 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.

*Views of Responsible Officials:* Management is in agreement.

**2022-002      Segregation of Duties  
                 Significant Deficiency**

*Criteria:* An appropriate system of internal accounting control contemplates an adequate segregation of duties so that not one individual handles a transaction from its inception to its completion.

*Condition:* The Organization did not have an internal control system to allow for proper segregation of duties across all areas of accounting functions during the year. We noted the following during our testing:

- Four journal entries selected for testing had no documentation to support a review of the journal entries was performed.
- There is no formal documentation of review performed for the reconciliation of split interest agreements.
- The reconciliation procedures over intercompany activity and net assets did not identify errors and resulted in audit adjustments.
- One of ten employees expense reimbursements selected for testing did not have documentation to support the review process.

*Cause:* There has been turnover in key positions during the year including the accounting manager and chief financial officer (CFO) positions. The accounting manager position had not been filled by the end of the year, and therefore, the CFO had taken on additional responsibilities.

*Effect:* Inadequate segregation of duties could adversely affect the Organization's ability to detect and correct misstatements that would be material in relation to the financial statements in a timely period in the normal course of performing their assigned functions.

*Recommendation:* While we recognize there was turnover in key positions during the year, it is important that management and the board of directors are aware of this condition. Under this condition, close supervision and review of accounting information is the best means of preventing and detecting errors or irregularities.

*Views of Responsible Officials:* Management is in agreement.

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Section III – Federal Award Findings and Questioned Costs

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**2022-003**      **Department of Justice and State of South Dakota Department of Public Safety**  
**CFDA #16.575, 2022-COMBO-00022, 2022-COMBO-00011**  
**Crime Victim Assistance**

**Allowable Costs, Allowable Activities, and Matching**  
**Significant Deficiency in Internal Control over Compliance**

*Criteria:* The Organization is required to have procedures in place to ensure that federal awards are expended only for allowable costs in accordance with Subpart E – Cost Principles of the Uniform Guidance. Allowable costs are supported by appropriate documentation and correctly charged as to account, amount, and period. 2 CFR 200.430(i) establishes requirements for documentation of personnel expenses. 2 CFR 200.303(a) establishes that the auditee must establish and maintain effective internal control over the federal award that provides assurance that the entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

*Condition:* Our testing over expenditures noted the following items:

- Three instances in which hours used to allocate payroll to the grant differed from actual hours worked and paid, resulting in deficiencies in allowable costs, allowable activities, and matching.
- One instance in which hours used to allocate payroll to the grant differed from actual hours worked and paid, resulting in deficiencies in allowable costs and allowable activities only.
- One instance identified over non-payroll expenditures in which costs were charged to the grant at the time paid rather than period of service, resulting in deficiencies in allowable costs, allowable activities, and matching.

*Cause:* Tracking of grant-related payroll is a manual process which increases the likelihood of error. Additionally, costs were charged to the program at the time the expenditure was paid rather than over the period of service.

*Effect:* The Organization's controls did not detect nor correct the errors identified, which results in a reasonable possibility that the Organization could submit disallowed costs under the federal awards.

*Questioned Costs:* No questioned costs over \$25,000.

*Context/Sampling:* A nonstatistical sample of 60 payroll transactions were selected for allowable costs and allowable activities testing, which accounted for \$45,235 out of \$789,604 of payroll transactions. Of those payroll transactions 18 were also tested for matching which accounted for \$2,360 out of \$36,064 match payroll transactions. A nonstatistical sample of 16 non-payroll transactions out of 59 total transactions for allowable costs and allowable activities were selected for testing, which accounted for \$8,680 of \$24,213 of non-payroll transactions. One of those items was selected for matching testing which accounted for \$139 of \$159 of match expenditures.

*Repeat Finding from Prior Year(s):* Yes, Finding 2021-002

*Recommendation:* We recommend management continue to review the process over tracking payroll related to federal programs and consider incorporating a secondary review of any manual spreadsheets or consider if the payroll can be allocated directly within the payroll system.

*Views of Responsible Officials:* Management is in agreement.

**2022-004 Department of Justice and State of South Dakota Department of Public Safety  
CFDA #16.575, 2022-COMBO-00022, 2022-COMBO-00011  
Crime Victim Assistance**

**Cash Management  
Significant Deficiency in Internal Control over Compliance**

*Criteria:* CFR 200.303(a) establishes that the auditee must establish and maintain effective internal control over the federal award that provides assurance that the entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

*Condition:* One instance identified in which an independent review was not completed prior to the submission of monthly draw request.

*Cause:* Turnover in the accounting department resulted in a draw request submitted for reimbursement prior to an independent review and approval being completed.

*Effect:* Failure to perform an independent review of draw requests could result in a reasonable possibility that the Organization would not detect errors in the normal course of performing duties and correct them in a timely manner.

*Questioned Costs:* None reported

*Context/Sampling:* Cash draws were reviewed for four months in the Organization's fiscal year. A total of 12 cash draws were submitted for reimbursement during the Organization's fiscal year.

*Repeat Finding from Prior Year(s):* Yes, Finding 2021-003

*Recommendation:* We recommend management ensure a documented independent review and approval is completed prior to submission of the draw request.

*Views of Responsible Officials:* Management is in agreement.

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801 N. Sycamore Avenue  
P.O. Box 1749  
Sioux Falls, SD 57101  
605.334.6004

*Residential Treatment & Education  
Therapeutic Foster Care & Adoption  
Nurse Home Visitation  
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113 N. St. Paul Avenue  
Sioux Falls, SD 57103  
605.338.0116

*Shelter for Family Safety  
(formerly Children's Inn)  
Domestic Violence Shelter & Services  
Emergency Shelter for Children*

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**RAPID CITY**

24100 S. Rockerville Road  
Rapid City, SD 57702  
605.343.5422

*Residential Treatment & Education*

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1330 Jolly Lane  
Rapid City, SD 57703  
605.343.2811

*Therapeutic Foster Care & Adoption  
Child Advocacy Center  
Prevention, Training & Education*

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**chssd.org**

**Management's Response to Auditor's Findings:  
Summary Schedule of Prior Audit Findings and  
Corrective Action Plan  
June 30, 2022**

Prepared by Management of  
**Children's Home Society of South Dakota**

**Our Mission:**

To prevent, treat and heal trauma.



**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2021**

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**Consolidated Financial Statement Findings**

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**Finding 2021-001****Preparation of Consolidated Financial Statements**

Initial Fiscal Year Finding: 2018

Summary: Eide Bailey was requested to draft the consolidated financial statements and accompanying notes to the consolidated financial statements.

Status: Ongoing. Due to cost effectiveness, we requested our auditors, Eide Bailly LLP, prepare our financial statements and the accompanying notes to the financial statements as part of the annual audit. The audited financial statements and accompanying notes are reviewed by management prior to issuance.

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**Federal Award Findings and Questioned Costs**

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**Finding 2021-002****Allowable Costs, Allowable Activities, and Matching – Significant Deficiency in Internal Control Over Compliance**Federal/State  
Agency Name:Department of Justice and State of South Dakota Department of  
Public Safety

Program Name:

Crime Victim Assistance

CFDA #

16.575

Initial Fiscal Year Finding:

2019

Finding Summary:

Four instances were noted where hours used to allocate payroll to the grant differed from the actual hours worked and paid.

Status:

Ongoing. Due to the manual nature of the process, we continue to review the procedures to improve controls over this grant to ensure that all grant expenditures are allowable and properly calculated.

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2021**

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**Federal Award Findings and Questioned Costs**

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**Finding 2021-003**

**Cash Management – Significant Deficiency in Internal Control over Compliance**

Federal/State

Agency Name:

Department of Justice and State of South Dakota Department of Public Safety

Program Name:

Crime Victim Assistance

CFDA #

16.575

Initial Fiscal Year Finding:

2021

Finding Summary:

The following items were identified in the sample draw requests selected for testing for the grant:

- Seven instances, in which, although there was support for an independent review and approval, there is not a date indicating when the review and approval was performed. Auditor was unable to determine if draw request was reviewed and approved prior to submission.
- One instance where the draw request was submitted prior to independent review and approval being performed.

Status:

Ongoing. Due to turnover of the accounting staff documentation of review and approval was lacking. We will ensure that documentation of review and approval is retained going forward.

**Corrective Action Plan  
Year Ending June 30, 2022**

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**Consolidated Financial Statement Findings**

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**Finding 2022-001****Preparation of Consolidated Financial Statements and Consolidated Schedule of Federal Awards and Material Audit Adjustments - Material Weakness**

## Summary:

Eide Bailly was requested to draft the consolidated financial statements and accompanying notes to the consolidated financial statements. Eide Bailly also proposed a material audit adjustment that had not been identified by the Society's existing internal controls that could have resulted in a material misstatement within the consolidated financial statements and SEFA.

## Responsible Persons:

Shannon Clark, Chief Financial Officer  
Lynn Peterson, Controller

## Corrective Action Plan:

External auditor preparation of draft financial statement is a cost-effective measure that we envision evolving in the future. For 2023, we anticipate our external auditors will again be requested to assist in the preparation of our draft consolidated financial statements and the accompanying notes to the consolidated financial statements as part of the annual audit. The goal is for our financial team to move forward to fully complete preparation of the draft consolidated financial statements and the accompanying notes.

Management will review all entries at year-end to ensure they are properly recorded in our consolidated financial statements. Additionally, Management will review the Schedule of Expenditures of Federal Awards and related Uniform Guidance to ensure federal expenditures are accurately reflected.

All finance positions have been filled and we are evaluating our internal control structure and implementing modifications to enhance its effectiveness. These factors are strengthening our finance area, which will reduce the opportunity for material misstatement occurrence and/or it not being identified prior to financial statement preparation.

Anticipated Completion Date: Ongoing

**Corrective Action Plan  
Year Ending June 30, 2022**

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**Consolidated Financial Statement Findings**

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**Finding 2002-002**

**Segregation of Duties - Significant Deficiency**

Finding Summary:

The Society's internal control system did not allow for proper segregation of duties across all accounting function areas during the year.

Responsible Persons:

Shannon Clark, Chief Financial Officer  
Lynn Peterson, Controller

Corrective Action Plan:

Our open Controller position was filled in September 2022, which will enable our segregation of duties internal control to reestablish itself as an operating and effective internal control. Reviews of journal entries, reconciliations and processes are being completed.

Anticipated Completion Date: June 30, 2023

**Corrective Action Plan  
Year Ending June 30, 2022**

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**Federal Award Findings and Questioned Costs**

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**Finding 2022-003 Allowable Costs, Allowable Activities, and Matching – Significant Deficiency in Internal Control Over Compliance**

Federal/State  
Agency Name: Department of Justice and State of South Dakota Department of Public Safety

Program Name: Crime Victim Assistance

CFDA # 16.575, 2022-COMBO-00022, 2022-COMBO-00011

Finding Summary: Audit testing over expenditures noted the following items:

- Three instances were noted where hours used to allocate payroll to the grant differed from the actual hours worked and paid resulting in deficiencies in allowable costs, allowable activities, and matching.
- One instance was noted where the hours used to allocate payroll to the grant differed from the actual hours worked and paid resulting in deficiencies in allowable costs and allowable activities.
- One instance was noted where a non-payroll expenditure where costs charged to the grant that were paid within the service period but related to services outside of the service period resulting in deficiencies in allowable costs, allowable activities and matching.

Responsible Persons: Shannon Clark, Chief Financial Officer  
Lynn Peterson, Controller  
Amy Carter, Program Director  
Janice Lee, Finance Administrator

Corrective Action Plan: This has been an ongoing issue and we are revising how our draws are prepared and reviewed. We plan to have one person familiar with the process prepare all the draws then a detailed review by the Controller before the draw will be submitted.

Anticipated Completion Date: June 30, 2023

**Corrective Action Plan  
Year Ending June 30, 2022**

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**Federal Award Findings and Questioned Costs**

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**Finding 2022-004**                      **Cash Management – Significant Deficiency in Internal Control over Compliance**

Federal/State  
Agency Name:                      Department of Justice and State of South Dakota Department of Public Safety

Program Name:                      Crime Victim Assistance

CFDA #                                      16.575, 2022-COMBO-00022, 2022-COMBO-00011

Finding Summary:                      One instance was noted in which an independent review of a grant draw request was not completed prior to the draw request being submitted for reimbursement.

Responsible Persons:                      Shannon Clark, Chief Financial Officer  
Lynn Peterson, Controller  
Amy Carter, Program Director  
Janice Lee, Finance Administrator

Corrective Action Plan:                      Independent review of grant draws will be completed prior to submission for reimbursement and formally documented to support that the review occurred prior to submission.

Anticipated Completion Date: June 30, 2023



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801 N. Sycamore Avenue  
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Sioux Falls, SD 57101  
605.334.6004

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113 N. St. Paul Avenue  
Sioux Falls, SD 57103  
605.338.0116

*Shelter for Family Safety  
(formerly Children's Inn)  
Domestic Violence Shelter & Services  
Emergency Shelter for Children*

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**RAPID CITY**

24100 S. Rockerville Road  
Rapid City, SD 57702  
605.343.5422

*Residential Treatment & Education*

----

1330 Jolly Lane  
Rapid City, SD 57703  
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*Therapeutic Foster Care & Adoption  
Child Advocacy Center  
Prevention, Training & Education*

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**Management's Response to Auditor's Findings:  
Summary Schedule of Prior Audit Findings and  
Corrective Action Plan  
June 30, 2022**

Prepared by Management of  
**Children's Home Society of South Dakota**

**Our Mission:**

To prevent, treat and heal trauma.



**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2021**

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**Consolidated Financial Statement Findings**

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**Finding 2021-001****Preparation of Consolidated Financial Statements**

Initial Fiscal Year Finding: 2018

Summary: Eide Bailey was requested to draft the consolidated financial statements and accompanying notes to the consolidated financial statements.

Status: Ongoing. Due to cost effectiveness, we requested our auditors, Eide Bailly LLP, prepare our financial statements and the accompanying notes to the financial statements as part of the annual audit. The audited financial statements and accompanying notes are reviewed by management prior to issuance.

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**Federal Award Findings and Questioned Costs**

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**Finding 2021-002****Allowable Costs, Allowable Activities, and Matching – Significant Deficiency in Internal Control Over Compliance**Federal/State  
Agency Name:

Department of Justice and State of South Dakota Department of Public Safety

Program Name: Crime Victim Assistance

CFDA # 16.575

Initial Fiscal Year Finding: 2019

Finding Summary: Four instances were noted where hours used to allocate payroll to the grant differed from the actual hours worked and paid.

Status: Ongoing. Due to the manual nature of the process, we continue to review the procedures to improve controls over this grant to ensure that all grant expenditures are allowable and properly calculated.

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2021**

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**Federal Award Findings and Questioned Costs**

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**Finding 2021-003****Cash Management – Significant Deficiency in Internal Control  
over Compliance**

Federal/State

Agency Name:

Department of Justice and State of South Dakota Department of  
Public Safety

Program Name:

Crime Victim Assistance

CFDA #

16.575

Initial Fiscal Year Finding:

2021

Finding Summary:

The following items were identified in our sample draw requests selected for testing for the grant:

- Seven instances, in which, although there was support for an independent review and approval, there is not a date indicating when the review and approval was performed. Auditor was unable to determine if draw request was reviewed and approved prior to submission.
- One instance where the draw request was submitted prior to independent review and approval being performed.

Status:

Ongoing. Due to turnover of the accounting staff documentation of review and approval was lacking. We will ensure that documentation of review and approval is retained going forward.

**Corrective Action Plan  
Year Ending June 30, 2022**

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**Consolidated Financial Statement Findings**

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**Finding 2022-001****Preparation of Consolidated Financial Statements and Consolidated Schedule of Federal Awards and Material Audit Adjustments - Material Weakness**

## Summary:

Eide Bailey was requested to draft the consolidated financial statements and accompanying notes to the consolidated financial statements.

Eide Baily also proposed a material audit adjustment that had not been identified by the Society's existing internal controls that could have resulted in a material misstatement within the consolidated financial statements and SEFA.

## Responsible Persons:

Shannon Clark, Chief Financial Officer  
Lynn Peterson, Controller

## Corrective Action Plan:

External auditor preparation of draft financial statement is a cost-effective measure that we envision evolving in the future. For 2023, we anticipate our external auditors will again be requested to assist in the preparation of our draft consolidated financial statements and the accompanying notes to the consolidated financial statements as part of the annual audit. The goal is for our financial team to move forward to fully complete preparation of the draft consolidated financial statements and the accompanying notes.

Management will review all entries at year-end to ensure they are properly recorded in our consolidated financial statements. Additionally, Management will review the Schedule of Expenditures of Federal Awards and related Uniform Guidance to ensure federal expenditures are accurately reflected.

All finance positions have been filled and we are evaluating our internal control structure and implementing modifications to enhance its effectiveness. These factors are strengthening our finance area, which will reduce the opportunity for material misstatement occurrence and/or it not being identified prior to financial statement preparation.

Anticipated Completion Date: Ongoing

**Corrective Action Plan  
Year Ending June 30, 2022**

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**Consolidated Financial Statement Findings**

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**Finding 2002-002**

**Segregation of Duties - Significant Deficiency**

Finding Summary:

The Society's internal control system did not allow for proper segregation of duties across all accounting function areas during the year.

Responsible Persons:

Shannon Clark, Chief Financial Officer  
Lynn Peterson, Controller

Corrective Action Plan:

Our open Controller position was filled in September 2022, which will enable our segregation of duties internal control to reestablish itself as an operating and effective internal control. Reviews of journal entries, reconciliations and processes are being completed.

Anticipated Completion Date: June 30, 2023

**Corrective Action Plan  
Year Ending June 30, 2022**

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**Federal Award Findings and Questioned Costs**

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**Finding 2022-003 Allowable Costs, Allowable Activities, and Matching – Significant Deficiency in Internal Control Over Compliance**

Federal/State  
Agency Name: Department of Justice and State of South Dakota Department of Public Safety

Program Name: Crime Victim Assistance

CFDA # 16.575, 2022-COMBO-00022, 2022-COMBO-00011

Finding Summary: Audit testing over expenditures noted the following items:

- Three instances were noted where hours used to allocate payroll to the grant differed from the actual hours worked and paid resulting in deficiencies in allowable costs, allowable activities, and matching.
- One instance was noted where the hours used to allocate payroll to the grant differed from the actual hours worked and paid resulting in deficiencies in allowable costs and allowable activities.
- One instance was noted where a non-payroll expenditure where costs charged to the grant that were paid within the service period but related to services outside of the service period.

Responsible Persons: Shannon Clark, Chief Financial Officer  
Lynn Peterson, Controller  
Amy Carter, Program Director  
Janice Lee, Finance Administrator

Corrective Action Plan: This has been an ongoing issue and we are revising how our draws are prepared and reviewed. We plan to have one person familiar with the process prepare all the draws then a detailed review by the Controller before the draw will be submitted.

Anticipated Completion Date: June 30, 2023

**Corrective Action Plan  
Year Ending June 30, 2022**

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**Federal Award Findings and Questioned Costs**

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**Finding 2022-004**                      **Cash Management – Significant Deficiency in Internal Control over Compliance**

Federal/State  
Agency Name:                      Department of Justice and State of South Dakota Department of Public Safety

Program Name:                      Crime Victim Assistance

CFDA #                                      16.575, 2022-COMBO-00022, 2022-COMBO-00011

Finding Summary:                      One instance was noted in which an independent review of a grant draw request was not completed prior to the draw request being submitted for reimbursement.

Responsible Persons:                      Shannon Clark, Chief Financial Officer  
Lynn Peterson, Controller  
Amy Carter, Program Director  
Janice Lee, Finance Administrator

Corrective Action Plan:                      Independent review of grant draws will be completed prior to submission for reimbursement and formally documented to support that the review occurred prior to submission.

Anticipated Completion Date: June 30, 2023

