

SOUTH DAKOTA BOARD OF REGENTS

Budget and Finance
Consent

AGENDA ITEM: 4 – W
DATE: March 30-31, 2021

SUBJECT

FY20 CAFR Audit Review

CONTROLLING STATUTE, RULE, OR POLICY

[SDCL 4-11-2](#) – Annual Audit of State Accounts

BACKGROUND / DISCUSSION

The FY20 Statewide Comprehensive Annual Financial Report (CAFR) was released in December. The Board of Regents (BOR) is considered a component unit of the state of South Dakota in the CAFR. The Department of Legislative Audit (DLA) is charged with providing an audit opinion on the CAFR and performs an audit of the BOR financial statements to help arrive at this opinion.

DLA does not issue an audit opinion specifically for BOR. The lack of an audit opinion does not change the fact that our financials are looked at extensively. DLA sends auditors to both SDSU and USD. They spend time with the campuses looking at both items specific to those two campuses as well as looking at system procedures and controls. They also use Banner to pull documents and review transactions remotely for the four small campuses and review them for accuracy and appropriateness. Phone interviews are also conducted with the controllers at these campuses. Because of the size of our financial numbers, DLA spends a significant amount of time making sure that our statements are free of material misstatements. For FY20 there were no audit findings. There were five mandatory auditor adjustments for the BOR system.

IMPACT AND RECOMMENDATIONS

The accounting staff at each campus is to be congratulated for the continued commitment to excellence. Listed below are the controllers and Board office staff who had a major hand in completing this year’s financial statements.

- | | |
|------------------------|-----------------------------------|
| Brandon Bentley – BHSU | Justin Noehren – USD |
| Amy Dockendorf – DSU | Claudean Hluchy – Special Schools |
| Kay Fredrick – NSU | Dennis Konkler – RIS |
| Deb Rowse – SDSMT | Shannon Jack – BOR |
| Karen Jastram – SDSU | Nancy Barnes – BOR |
| Sara Mooney – SDSU | Scott Van Den Hemel – BOR |
| Shelley Brunick – USD | |

(Continued)

INFORMATIONAL ITEM

With every audit there are always areas that are identified as places for improvement. The Board office will visit with DLA and the controllers to continue looking for ways to improve our internal controls and other processes. We will also review any findings DLA identified that did not meet material reporting thresholds. These smaller findings can be very helpful in identifying procedures and controls that need to be adjusted before they become bigger issues down the line.

The number of mandatory audit adjustments for the last five years, the dollar value associated with those adjustments, and their impact on BOR's net position are listed below.

Fiscal Year	# of Audit Adjustments	Dollar Value of Adjustments	Impact on Net Position
2016	0	\$0.00	0.00%
2017	0	\$0.00	0.00%
2018	0	\$0.00	0.00%
2019	0	\$0.00	0.00%
2020	5	\$6,645,014.73	0.00%

ATTACHMENTS

Attachment I – Analysis of Audit Adjustments

	<u>Priority</u>	<u>University</u>	<u>Account Description</u>	<u>Banner Account</u>	<u>CAFR Account</u>	<u>Amount Dr. (Cr.)</u>
1	4	NSU	Sales and Services Accounts Receivable	500757 120000	4599002 1241100	516,007.02 (516,007.02)
			PURPOSE:	To reverse document JD009351 posting an account receivable from the NSU foundation at year-end. The foundation did not record the expense or payable.		
			Issue	NSU posted a receivable for Foundation activity when the foundation did not post a receivable. Since both of them have the same fiscal year end, their accruals concerning each other should match up with very little exception.		
			Corrective Action	NSU and their foundation will do a better job of communicating with each other to ensure that their accruals are in line with each other.		
2	4	NSU	Sales and Services Private Grants and Contracts	500757 530240	4599002 4791000	817,395.53 (817,395.53)
			PURPOSE:	To reclassify revenue from the foundation for the noncapitalized portion of capital projects.		
			Issue	NSU did not reclass the foundation revenue that was for noncapitalized projects.		
			Corrective Action	NSU is looking closer at their revenues that are received from the foundation.		
3	4	Central Office	Cash on Deposit - State Treasurer Interest Receivable Investment Income	1XST 140000 500910	1131000 1211000 4920045	611,612.18 (174,242.09) (437,370.09)
			PURPOSE:	To properly report the fair market value of cash, interest receivable, and the related investment income for Higher Education activity at SDBA.		
			Issue	There was a correction on the South Dakota Building Authority Financials that are blended with the SDBOR financials. SDBA did not notify SDBOR of the error.		
			Corrective Action	The Central Office is communicating directly with the Department of Legislative Audit to ensure that the financial statement that they are working with is the final version after all audit adjustments for SDBA.		
4	4	Central Office	State Grants and Contracts Capital Grants & Contracts	530230 784003	4791000 4920014	2,500,000.00 (2,500,000.00)
			PURPOSE:	To reclassify revenue received from Future Fund for construction of SDBVI Building.		
			Issue	Funds that were originally received by the central office and classified as grant revenue were not reclassified as capital grant revenue for the CAFR.		
			Corrective Action	Every campus with capital projects will be taking a closer look at how the funds used for those projects were recorded. There will be an emphasis on getting the revenue coded to capital grants during the year rather than waiting for year end.		
5	4	USD	Sales and Services Capital Grants & Contracts	500757 784003	4599002 4920014	2,200,000.00 (2,200,000.00)
			PURPOSE:	To reclassify revenue received from the National Music Museum for the museum expansion project.		
			Issue	Funds that were originally received by USD and classified as Sales and Services were not reclassified as capital grant revenue for the CAFR.		
			Corrective Action	Every campus with capital projects will be taking a closer look at how the funds used for those projects were recorded. There will be an emphasis on getting the revenue coded to capital grants during the year rather than waiting for year end.		

Priority Code:

1	Highest priority. Significant error, material dollar amounts associated.
2	High priority. Lack of policy/procedure or significant dollar amounts associated.
3	Moderate priority. Policy/procedure exists but may need review
4	Low priority. Mostly human errors that can be dealt with as they come up.