



Strengthening Individuals,
Families & Communities

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Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
June 30, 2019

Prepared by Management of
Lutheran Social Services of South Dakota

Financial Statement Findings

Finding 2018-A Preparation of Financial Statements and Restatement

Initial Fiscal Year Finding Occurred: 2014

Finding Summary: As a result of audit procedures certain adjustments and reclassifications, as well as management proposed adjustments, were identified that may not have been identified as a result of the Organization's existing internal controls. In addition, an error related to the presentation of United Way funding between unrestricted and temporarily restricted revenues was noted. The 2017 consolidated financial statements were restated to correct the prior year's error.

Status: Ongoing. Procedures have been changed to review any unusual or nonroutine transactions that occurred during the year, to ensure appropriate adjustments were made prior to the auditors review. The Organization plan's to have Eide Bailly, LLP prepare the current year financial statements, due to time and cost constraints.

Finding 2018-B Segregation of Duties

Initial Fiscal Year Finding Occurred: 2017

Finding Summary: Turnover and leaves of absence in accounting have not allowed for sufficient segregation of duties with regard to executing and recording transactions, and maintaining accountability for assets.

Status: Ongoing. Procedures have been strengthened to address segregation of duties when there is turnover or leave within the accounting department. Turnover was limited in the fiscal year under review.

Single Audit Findings

Finding 2018-001 Allowable Costs and Allowable Activities

Administration For Children and Families

CFDA 93.583

Refugee and Entrant Assistance_Wilson/Fish Program

Passed Through South Dakota Department of Social Services

CFDA 93.674

Chafee Foster Care Independence Program

Administration For Children and Families

CFDA 93.566

Refugee and Entrant Assistance-State Administered Programs

Initial Fiscal Year Finding Occurred: 2015

Finding Summary:

- a. In three instances the federal time tracker did not properly reflect the employees federal vs. nonfederal hours worked (CFDA 93.583 and 93.566)
- b. Amounts paid directly to refugees were included in the direct cost base for calculation of the monthly indirect cost (CFDA 93.583)
- c. Indirect costs calculation included an error in four months (CFDA 93.674)
- d. In one month, the wrong allocation amount was used for allocated rent (CFDA 93.674)

Status: Ongoing. Staff have been trained and reminded on procedures for time trackers, indirect costs are now charged according to actual direct costs, and steps have been added to correctly include all direct costs. Staff training will be ongoing.

Finding 2018-002 Eligibility and Case Management

Administration For Children and Families

CFDA 93.583

Refugee and Entrant Assistance_Wilson/Fish Program

Initial Fiscal Year Finding Occurred: 2015

Finding Summary: We noted one file in which the final cash assistance calculation did not agree to the amount paid to the participant. In addition, one case file was not reviewed within thirty days as required by the Organization's peer review procedures.

Status: Ongoing. Program requirements and internal procedures were reviewed with all program employees, and will continue to be reviewed with employees and new employees.

Finding 2018-003 Reporting

Administration For Children and Families

CFDA 93.583

Refugee and Entrant Assistance Wilson/Fish Program

Initial Fiscal Year Finding Occurred: 2018

Finding Summary: In two instances, the quarterly expenses reported within the quarterly financial reports did not agree to the supporting documentation. In addition, in one instance the amount reported per the trimester progress report did not agree to the supporting documentation.

Status: Ongoing. The review process was updated to ensure accurate numbers are being included on the reports.

Finding 2018-004 Cash Management and Reporting

Passed Through Lutheran Immigration and Refugee Service

CFDA 19.510

U.S. Refugee Admissions Program

Initial Fiscal Year Finding Occurred: 2018

Finding Summary: In one instance the monthly report was not properly approved.

Status: The billing review process was updated to insure approval was complete prior to submission.

Finding 2018-005 Matching, Level of Effort and Earmarking

Passed Through South Dakota Department of Social Services

CFDA 93.674

Chafee Foster Care Independence Program

Initial Fiscal Year Finding Occurred: 2017

Finding Summary: Appropriate documentation to support amounts used as match were not readily available or appropriate approval was not apparent. Four items were also incorrectly used as match.

Status: Match procedures have been modified to allow for appropriate documentation and approval. Staff have been trained on appropriate practices for recording match and what items are appropriate to use as match. Staff training will be ongoing.

Finding 2018-006 Suspension and Debarment

Administration For Children and Families

CFDA 93.566

Refugee and Entrant Assistance-State Administered Programs

Initial Fiscal Year Finding Occurred: 2018

Finding Summary: The Organization is verifying Subrecipients as not being suspended or debarred, however has no identified control over the process.

Status: A checklist has been created to make sure all requirements are met and reviewed prior to the start of a new Subrecipient agreement.

Finding 2018-007 Subrecipient Monitoring

Administration For Children and Families

CFDA 93.566

Refugee and Entrant Assistance-State Administered Programs

Initial Fiscal Year Finding Occurred: 2018

Finding Summary: The subaward agreements did not include all required elements as noted in the regulations and the Organization did not perform an evaluation of the risk of noncompliance of the Subrecipients.

Status: A checklist has been created to make sure all requirements are met and reviewed prior to the start of a new Subrecipient agreement, and ongoing monitoring of Subrecipients is taking place.

Finding 2018-008 Reporting

Administration For Children and Families

CFDA 93.566

Refugee and Entrant Assistance-State Administered Programs

Initial Fiscal Year Finding Occurred: 2018

Finding Summary: In one instance, the quarterly expenses reported within the quarterly financial reports did not agree to the supporting documentation. In addition, in one instance an amount reported per the trimester progress report did not agree to supporting documentation. The expenditures reported in the quarterly reports were allowable, however the method of completing the reports was revised during the year between line items relating to federal share of unliquidated obligations and unobligated balance of federal funds based on verbal guidance from the agency.

Status: The review process was updated to ensure accurate numbers were recorded on the reports. The Organization has documented the understanding of the federal expectations regarding obligations, and received no further guidance of changes necessary from the federal agency.

Findings – Financial Statement

Finding 2019-001 Preparation of Financial Statements and Material Audit Adjustment

Finding Summary: As a result of audit procedures, a material audit adjustment relating to the classification of net assets between net assets with restrictions and net assets without restriction that would not have been identified as a result of the Organization's existing internal controls. In addition, the Organization has not implemented an internal control system designed to provide for the preparation of the annual consolidated financial statements and related footnotes.

Responsible Individuals: Nathan Beyer & Amy Cravaack

Corrective Action Plan: Management will review the year-end journal entry process to eliminate the need for similar audit entries in future periods. The Organization will continue to request that the auditors draft the consolidated financial statements and accompanying notes, due to cost and time constraints.

Anticipated Completion Date: November 1, 2019

Finding 2019-002 Segregation of Duties

Finding Summary: The Organization did not have an internal control system to allow for proper segregation of duties across all areas of the accounting function.

Responsible Individuals: Nathan Beyer & Amy Cravaack

Corrective Action Plan: Management will implement a quarterly checklist to review reconciliations of balance sheet accounts and key income statement accounts for accuracy.

Anticipated Completion Date: December 31, 2019

Findings – Federal Awards

Finding 2019-003 Allowable Costs / Costs Principles and Activities Allowed or Unallowed

Passed Through South Dakota Department of Social Services

CFDA 93.674

Chafee Foster Care Independence Program

Finding Summary:

- a. In one instance, the program was over allocated monthly phone charges.
- b. The indirect costs were calculated by using the wrong indirect cost rate based on review of the grant award for one month.

Responsible Individuals: Nathan Beyer & Amy Cravaack

Corrective Action Plan:

- a. The allocation of the affected phone bill has been corrected to appropriately allocate the phone charges to the appropriate programs.
- b. The billing spreadsheet has been corrected to use the appropriate indirect cost rate.

Anticipated Completion Date: October 1, 2019

Finding 2019-004 Allowable Costs / Costs Principles and Activities Allowed or Unallowed

Passed Through Lutheran Immigration and Refugee Service

CFDA 19.510

U.S. Refugee Admissions Program

Passed Through United States Conference of Catholic Bishops, Migration, and Refugee Services

CFDA 19.510

U.S. Refugee Admissions Program

Finding Summary:

- a. In one instance, the federal time tracker did not properly reflect the employees federal vs. nonfederal hours worked.
- b. The indirect costs calculated included an error in one month.

Responsible Individuals: Nathan Beyer, Amy Cravaack, & Tim Jurgens

Corrective Action Plan:

- a. The federal time tracker is being updated to include fee based hours paid to individuals who are both employees, and get paid for fee based interpretation.
- b. The billing spreadsheet has been corrected to use the appropriate indirect costs.

Anticipated Completion Date: November 1, 2019

Finding 2019-005 Eligibility and Case Management

Administration For Children and Families

CFDA 93.583

Refugee and Entrant Assistance Wilson/Fish Program

Finding Summary: The final cash assistance calculation did not agree to the amount paid to the participant by an insignificant amount for one file selected for testing. In addition, one case file was not reviewed within thirty days as required by the Organization's peer review procedures.

Responsible Individuals: Tim Jurgens

Corrective Action Plan: The Organization will work with program employees to make sure they understand the importance of all documentation in the case files to comply with program requirements and internal procedures.

Anticipated Completion Date: November 15, 2019

Finding 2019-006 Reporting

Administration For Children and Families

CFDA 93.583

Refugee and Entrant Assistance Wilson/Fish Program

Finding Summary: In one instance, an amount reported per the trimester progress report did not agree to the supporting documentation as one case was missed in error in Schedule B, Part I impacting the case number and persons reported.

Responsible Individuals: Tim Jurgens

Corrective Action Plan: The review process has been updated to make sure all appropriate cases are being included on the reports.

Anticipated Completion Date: November 1, 2019