



SOUTH DAKOTA
GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT

GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT RESPONSE TO FUTURE FUND REPORT – STULKEN, PETERSEN, LINGLE, WALTI & JONES LLP

Finding 3.I.a.

One file contained an invoice from the grantee to the GOED for marketing expenses incurred instead of providing copies of the actual invoices that were paid by the grantee for said expenses.

Response: GOED accepted the invoice from grantee as satisfactory evidence of the marketing expenses incurred. GOED has since attempted to contact the grantee to request third party invoices confirming the marketing expenses; however, the grantee is no longer in business so no additional supporting documentation was available.

Corrective Action: GOED's Internal Control Document has been updated to specify what constitutes acceptable supporting documentation (i.e. requiring invoices for work completed from the third party vendor). Additionally, each agreement will include the specific documentation required to evidence the fulfillment of the grant requirements.

Finding 3.I.b.

One file contained an invoice from the grantee to the GOED for salary, travel, and administrative expenses incurred without providing copies of receipts or payroll records for said expenses.

Response: GOED accepted the invoice from grantee as satisfactory evidence of the expenses incurred. GOED has since contacted the grantee and received payroll ledgers which support the expenses contained in the grantee's invoice.

Corrective Action: GOED's Internal Control Document has been updated to specify what constitutes acceptable supporting documentation (i.e. requiring payroll ledger or a copy of pay checks from grantee). Additionally, each agreement will include the specific documentation required to evidence the fulfillment of the grant requirements.

Finding 3.I.c.

One file contained an invoice from the grantee to the GOED for legal expenses incurred instead of providing copies of the actual invoices that were paid by the grantee for said expenses.

Response: GOED accepted the invoice from grantee as satisfactory evidence of the legal expenses incurred. GOED has since contacted the grantee and received the third party invoices for legal fees which support the expenses contained in the grantee's invoice.

Corrective Action: GOED's Internal Control Document has been updated to specify what constitutes acceptable supporting documentation (i.e. requiring invoices for work completed from the third party vendor). Additionally, each agreement will include the specific documentation required to evidence the fulfillment of the grant requirements.

Finding 3.I.d.

One file did not contain sufficient invoice documentation to support the full amount of the reimbursement for computer hardware.

Response: GOED inadvertently accepted an invoice from grantee that contained duplicate itemizations. GOED subsequently received the corrected invoice directly from the manufacturer which accurately reflected the itemization and provided satisfactory evidence of the purchases for which the grantee was paid. The payment issued to the grantee was correct.

Corrective Action: GOED's 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.

Finding 3.I.e.

Five files contained letters or reports from the grantee to the GOED for expenses incurred instead of providing documentation of the actual expenditures, such as receipts, bank statements, payroll records, or invoices.

Response: GOED accepted the letters or reports from grantees as satisfactory evidence of the expenses incurred. GOED has since requested and received adequate supporting documentation to evidence the expenses contained in the grantee letters and reports.

Corrective Action: GOED's 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.

Finding 3.II.a.

One file did not contain a copy of the mortgage satisfaction as was required by the agreement.

Response: This was an oversight on the part of GOED. The mortgage was in fact satisfied, but a copy of the satisfaction was not included in the file. GOED has since received a copy of the satisfaction.

Corrective Action: GOED updated its existing loan database to include a follow-up

reporting system to better track grants. This change will allow GOED to populate detailed monthly reports specifying the documentation or reports due on each grant file that month.

Finding 3.II.b.

Three files did not contain copies of monthly, quarterly, or annual progress reports as required by the agreements.

Response: This was an oversight on the part of GOED. GOED has since requested and received follow-up reports from 2 of the 3 grantees. The third grantee is no longer in operation, and as such, the follow-up reports could not be obtained.

Corrective Action: GOED updated its existing loan database to include a follow-up reporting system to better track grants. This change will allow GOED to populate detailed monthly reports specifying the documentation or reports due on each grant file that month.

Finding 3.II.c.

One file did not contain client intake forms or new client lists as was required by the agreement.

Response: This was an oversight on the part of GOED. GOED contacted the grantee to request the forms; however, the grantee has left South Dakota and the documents could not be obtained.

Corrective Action: GOED updated its existing loan database to include a follow-up reporting system to better track grants. This change will allow GOED to populate detailed monthly reports specifying the documentation or reports due on each grant file that month.

Finding 3.II.d.

One file did not contain an amendment to the agreement for the purchase of laptop computers which were not an approved expenditure in the original agreement. The file did contain an approval via email for the purchase of the laptop computers.

Response: As indicated in the finding, GOED consented to the amendment via email, but a formal amendment to the agreement was not prepared.

Corrective Action: Formal amendments are now required for all changes to grant agreements.

Finding 3.II.e.

One file did not contain copies of employment contracts for all employees hired as required by the agreement.

Response: GOED accepted the signed signature page of the employment contract for

each employee hired as sufficient evidence in lieu of requiring production of each employment agreement in its entirety. GOED has since requested and received copies of all employment contracts from grantee.

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

Finding 3.II.f.

One file required grantee to provide GOED with documentation of additional funds raised by the end of the first quarter. No documentation was included in the file to support that these funds had been raised.

Response: The grantee raised the required funds; however, the documentation evidencing the raise was located in another GOED file pertaining to the same grantee. The documentation evidencing the raise has since been photocopied and is included in both files.

Corrective Action: GOED updated its existing loan database to include a follow-up reporting system to better track grants. This change will allow GOED to populate detailed monthly reports specifying the documentation or reports due on each grant file that month.

Finding 3.III.a.

The agreement in one file called for documentation for a certain amount of contribution commitments to be raised for the project prior to the disbursement of funds from the GOED. The grantee included loan proceeds and a consulting contract that was not documented as an in kind contribution in its total amount of contributions committed for the project.

Response: GOED intended to include the loan proceeds and consulting contract as the match required by the agreement.

Corrective Action: GOED will specify in future agreements what is allowed to count towards the match.

Finding 3.III.b.

The agreement in one file called for documentation for a certain amount of contribution commitments to be raised for the project prior to the disbursement of funds from the GOED. The file did not contain documentation for the full amount of contribution commitments required by the agreement.

Response: The required match was raised; however, GOED did not have the proper documentation in the file. This was an oversight on the part of GOED. GOED subsequently requested and received the documentation evidencing the full amount of contributions commitments.

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