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Pat Costello, Commissioner
Governor's Office of Economic Development
711 East Wells Avenue
Pierre, SD 57501

Dear Commissioner Costello:

Thank you for the opportunity to discuss the findings of Eide Bailly's review of internal control policies and procedures at the Governor's Office of Economic Development (GOED) as it pertains to the employee reimbursement process. The concerns expressed by Eide Bailly are clearly valid, and any qualified recommendations and input that can lead to a more secure expense process are certainly worthwhile.

I wanted to use this opportunity to provide information relating to administrative rules currently in place that guide our office in the employee reimbursement process. The Travel Warrant Disbursements (3:05:03) chapter in the Administrative Rules of South Dakota help our office deter the possibility of reimbursing an employee for an expense that was directly billed to the agency by requiring that actual receipts and proof of payment be presented by the employee. In particular, please note the three rules below:

3:05:03:01. Lodging receipt required. An employee traveling on state business who is away from his home station for one or more nights, shall have a bona fide lodging receipt. Hotel or motel receipts shall be the original receipt or that receipt which each specific hotel or motel regularly gives to a customer. Such receipts shall indicate that they are paid. When the receipt is not a regular folio type, such receipt shall carry the signature of the hotel or motel owner or clerk.

Source: SL 1975, ch 16, § 1; transferred from § 5:01:03:05, 2 SDR 23, effective September 29, 1975; 11 SDR 51, effective October 18, 1984.

General Authority: SDCL 3-9-8, 4-9-1.1.

Law Implemented: SDCL 3-9-2, 3-9-8, 4-9-1.1.

3:05:03:02. Conference, seminar, or workshop attendance. In addition to other requirements for filing travel vouchers, those persons attending conferences, seminars, or workshops shall attach to their voucher:

- (1) A copy of the program or official letter which give the dates and location of the conference, seminar or workshop;
- (2) A receipt for any registration fee paid.

Source: SL 1975, ch 16, § 1; transferred from § 5:01:03:17, 2 SDR 23, effective September 29, 1975.

General Authority: SDCL 4-9-1.1.

Law Implemented: SDCL 3-9-8, 4-9-1.1.

3:05:03:10. Receipts of expenditures required. Original copies of receipts of expenditures in excess of one dollar except in cases of taxi fares under five dollars, including lodging but excluding meals, shall be submitted in support of claims for reimbursements. When the vendor requires the original copy for his files, the second copy shall be accepted by the auditor.

Source: SL 1975, ch 16, § 1; transferred from § 5:01:03:02, 2 SDR 23, effective September 29, 1975; 11 SDR 51, effective October 18, 1984.

General Authority: SDCL 4-9-1.1.

Law Implemented: SDCL 3-9-8.

Another area of concern identified deals with a potential time delay between the dates an expense is incurred by an employee and when the voucher is ultimately submitted. Our office is in the process of finalizing language for an Administrative Rule proposal which would impose a 60-day limit for an employee to submit a voucher after the last day of their travel. The rule would then impose additional guidelines that must be met if the employee fails to meet the time limit.

Again, I'd like to thank Eide Bailly for their input and recommendations for improvement in these processes. We look forward to continue working toward rules and controls that provide additional safeguards to the State in the reimbursement process, and commit to working with GOED and other state agencies in accomplishing those goals.

Kindest regards,



Steven J. Barnett

South Dakota State Auditor