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RUSSELL A. OLSON  
AUDITOR GENERAL

September 21, 2021

Larry Jensen, Governing Board Chairperson  
And  
Lori Schultz, Finance Officer

Brookings County  
520 3rd Street  
Brookings, SD 57006

This will confirm our understanding of the services we are to provide Brookings County as of December 31, 2020 and for the year then ended. We will perform a financial and compliance audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County as of December 31, 2020 and for the year then ended and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We understand that the basic financial statements of the County will be presented in accordance with the Special Purpose Framework – Modified Cash Basis of Accounting. Our audit will be conducted with the objective of expressing an opinion on each opinion unit applicable to those financial statements. In addition, we will audit the County's compliance over major federal award programs as of December 31, 2020 and for the year then ended.

We have also been engaged to report on supplementary information other than RSI that accompanies the County's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on the following supplementary information in relation to the financial statements as a whole:

- Budgetary Comparison Schedules
- Schedule of Expenditure of Federal Awards
- Schedule of Changes in Long-Term Debt
- Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)

### **Audit Objectives**

The objective of our audit is the expression of our opinions as to whether the County's basic financial statements are fairly presented, in all material respects, in conformity with Special Purpose Framework - Modified Cash Basis of Accounting and to report on the fairness of the additional information referred to in the first section above when considered in relation to the basic financial statements taken as a whole.

We will also subject the schedule of expenditure of federal awards to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling the schedule to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on whether the schedule of expenditures of federal award is presented fairly in all material respects in relation to the financial statements as a whole.

The objective also includes reporting on:

- Internal controls related to the financial statements and compliance with laws, regulations, contracts and grant agreements, and other matters, noncompliance with which could have a material effect on the financial statements, as required by *Government Auditing Standards*.
- Internal controls related to the major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 (Single Audit Act) and *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*

The reports on internal control and compliance will each include a paragraph that states that the purpose of the report is solely to describe (a) the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, (b) the scope of testing internal control over compliance for major programs and major program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance, and (c) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance and the *Uniform Guidance* in considering internal control over compliance and major program compliance. The reports are intended for the information and use of the audit committee, management, specific legislative or regulatory bodies, federal awarding agencies, and if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, because these reports are required by South Dakota Codified Law 4-11-11 and the *Uniform Guidance*, they are a matter of public record and their distribution is not limited.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act and the *Uniform Guidance*. Our audit will include tests of accounting records, a determination of major program(s) in accordance with the *Uniform Guidance*, and other procedures we consider necessary to enable us to express such our opinions and to render the required reports.

If during the course of our audit we find that we are unable to express unmodified opinions on the fairness of the financial statements for any opinion unit or on compliance with the requirements for each major federal award as required by the Single Audit Act and the *Uniform Guidance*, we will notify you of the problems encountered. If, for any reason, we are unable to complete the audit, we will not issue a report as a result of this engagement, but we will bill you at our standard hourly rates for the value of services rendered to date of termination of the engagement.

### **Management Responsibilities**

management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

Management will coordinate with our office to ensure that the Department of Legislative Audit's (DLA) independence is not impaired by hiring former or current DLA manager or professional employees in a key position, as defined in the AICPA *Code of Profession Conduct*, which would cause a violation of the AICPA *Code of Professional Conduct* or other applicable independence rules. Any employment opportunities with the County for a former or current DLA manager or professional employee should be discussed with the Auditor General or Local Government Audit Manager before entering into substantive employment conversations with the former or current DLA manager or professional employee.

### **Audit Procedures - General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Accordingly, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse. As required by the Single Audit Act and the *Uniform Guidance*, our audit plan and test transactions related to major federal award programs for compliance with applicable laws and regulations and the provisions of contracts and grant agreements. Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management and the appropriate law enforcement officials of any violations of laws or regulations and any fraud or illegal acts that come to our attention, unless clearly inconsequential. We will include such matters in the reports required by *Government Auditing Standards* and the *Uniform Guidance*. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. Our responsibility as auditors are limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

### **Audit Procedures – Internal Controls**

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design

the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the *Uniform Guidance*, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of internal controls that we consider relevant to preventing and/or detecting material noncompliance with compliance requirements applicable to each of County's major federal award programs. Our tests will be less in scope than would be necessary to render an opinion on internal controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the *Uniform Guidance*.

An audit is not designed to provide assurance on the effectiveness of internal control or to identify all significant deficiencies or material weaknesses. However, we will communicate to you of any matters involving internal control and its operation that we consider to be material weaknesses or significant deficiencies under standards established by the American Institute of Certified Public Accountants. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 will also inform you of any other matters involving internal controls, if any, as required by *Government Auditing Standards* and the *Uniform Guidance*.

### **Audit Procedures - Compliance**

Compliance with laws, regulations, contracts, agreements and other matters applicable to the County is the responsibility of management. As part of obtaining reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement, we will perform tests of County's compliance with certain provisions of applicable laws, regulations, contracts, agreements and other matters. However, the objective of those procedures will not be to provide an opinion on overall compliance with such provisions, and we will not express such an opinion in our report issued pursuant to *Government Auditing Standards*.

*Uniform Guidance* requires our audit include tests of transactions related to major federal award programs for compliance with applicable laws and regulations and the provisions of contracts and grant agreements. Further, the *Uniform Guidance* requires that we plan and perform our audit to provide us with enough evidence to support our opinion on whether the County has complied with certain provisions of laws, regulations, contracts, and grants related to each major federal award programs. Our procedures will consist of determining major federal programs and performing the applicable procedures described in the *Uniform Guidance Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the major federal programs. The purpose of our audit will be to express an opinion on the County's compliance with the requirements applicable to each of its major federal award programs in our report on compliance issued pursuant to the *Uniform Guidance*.

### **Audit Administration, Fees, and Other**

Our fee for these services will be based on the time actually spent at our standard hourly rate is determined in accordance with state statute (Fiscal Year 2022 rate is \$75.00) and is subject to change

each July 1<sup>st</sup>. We will not bill you for travel time spent coming to and from your location or for time spent giving assistance or working on other projects while on site at your location.

*Government Auditing Standards* state that if the Auditor's Report discloses deficiencies in internal control, fraud, illegal acts, violations of provisions of contracts or agreements, or abuse, the entity should provide the views of the responsible officials concerning the findings, conclusions, and recommendation, as well as planned response. Such response will be included in the audit report. If the County does not respond or chooses not to respond we are required to state this in the audit report.

In addition, the *Uniform Guidance* requires the County prepare a corrective action plan for each item of finding and questioned cost related to federal award programs that are disclosed as a result of our audit. The County's corrective action plan is required to be included in the final report package.

*Uniform Guidance* requires you to file one electronic version of the audit report with the Federal Single Audit Clearinghouse, and to complete your portion of the electronic version of the Data Collection Form (Form SF-SAC). We will assist you in filing the electronic version of the Form SF-SAC with Federal Single Audit Clearinghouse. In addition, report filings with state agencies in Pierre, South Dakota, will be made by us. We will provide you with a sufficient number of copies of the final audit report to fulfill your requirements. The Data Collection Form is required to be submitted within the earlier of 30 days of the report release date or nine months following the close of the most recent fiscal year being audited.

The audit documentation will be available at the completion of our audit for inspection at our Pierre office by other auditors as well as management of the County during normal working hours. The audit documentation will be retained for a minimum of five years following the date of the audit report.

We understand that your employees will assist us whenever possible and will perform such functions as pulling documents selected by us for testing. If your employees cannot accomplish these tasks when requested, we will perform them and bill for our services at the above hourly rate.

Should unforeseen circumstances arise that would require a significant extension of our auditing procedures, we would discuss with you the specific matters involved before extending our audit scope and incurring additional costs. In such a case, this letter may need to be modified and reissued.

The audit report should be issued in final form, and all required report filings accomplished, estimated to be no later than sixty (60) calendar days from the date of the audit report. Our Local Government Audit Manager is the engagement partner and is responsible for supervising the engagement.

*Government Auditing Standards* require that our office undergo an external quality control review on a periodic basis. A copy of our latest external quality control review letter will be provided to you upon request and is also publicly available on our website (<http://legislativeaudit.sd.gov>).

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions please let us know.

If this letter correctly expresses your understanding, please sign both copies where indicated and return one copy to us.

Sincerely,



David Weidler  
Auditor-In-Charge

Approved:

\_\_\_\_\_  
Governing Board Chairperson

\_\_\_\_\_  
Date

\_\_\_\_\_  
County Finance Officer

\_\_\_\_\_  
Date