

State of Idaho
Internal Control Report

Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in accordance with *Government Auditing Standards*

Fiscal Year 2020



Legislative Services Office
Idaho State Legislature

Eric Milstead
Director

Serving Idaho's Citizen Legislature

February 19, 2021

Honorable Brad Little, Governor
Honorable Senator Steve Bair, JFAC Co-Chair
Honorable Representative Rick D. Youngblood, JFAC Co-Chair
Honorable Brandon D Woolf, State Controller

We are pleased to submit the State of Idaho *Internal Control Report* as it relates to our audit of the statewide *Comprehensive Annual Financial Report* (CAFR) covering the fiscal year ended June 30, 2020. This *Internal Control Report* is an integral part of the CAFR audit process and is required by *Government Auditing Standards* issued by the Comptroller General of the United States.

These standards require that we consider the internal control over financial reporting and disclose weaknesses that could have a material effect on the financial statements. We are also required to perform and disclose the results of tests of compliance with certain laws, regulations, and other requirements that could have a direct and material effect on the financial statement amounts.

The results of our audit identified three significant deficiencies and one material weakness in internal control required to be reported under *Governmental Auditing Standards*. Although the risk of misstatements exists as a result of these issues, none of these weaknesses resulted in material misstatements that were not corrected as a result of the audit. As such, we have issued an unmodified opinion on the financial statements.

This report is available on our website at www.legislature.idaho.gov, and the CAFR can be obtained from the Office of the Idaho State Controller's website at www.sco.idaho.gov.

Sincerely,

April Renfro

April Renfro, CPA, Manager
Legislative Audits Division

Kristin Ford, Manager
Research & Legislation

Paul Headlee, Manager
Budget & Policy Analysis

April Renfro, Manager
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Legislative Services Office
Idaho State Legislature

Eric Milstead
Director

Serving Idaho's Citizen Legislature

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

December 23, 2020

Honorable Brad Little, Governor
Honorable Senator Steve Bair, JFAC Co-Chair
Honorable Representative Rick D. Youngblood, JFAC Co-Chair
Honorable Brandon D Woolf, State Controller

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Idaho as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise State of Idaho's basic financial statements, and have issued our report thereon dated December 23, 2020. Our report includes a reference to other auditors who audited the financial statements of Boise State University, Idaho State University, Lewis-Clark State College, University of Idaho, and their respective component units, Idaho Fish and Wildlife Foundation, Idaho Potato Commission, Idaho Dairy Products Commission, Idaho State Bar, Idaho Wheat Commission, Idaho Endowment Fund Investment Board, Idaho Lottery, Public Employee Retirement System of Idaho, Idaho Public Employees' Deferred Compensation Plan, IDeal Idaho College Savings Program, Idaho Individual High Risk Reinsurance Pool, Idaho Small Employer Health Reinsurance Program, Idaho Health Insurance Exchange, Idaho State Treasurer – Assets Under Management, Idaho State Building Authority, Idaho Bond Bank Authority, and the Idaho Housing and Finance Association (including The Housing Company, a discretely presented component unit of the Idaho Housing and Finance Association) as described in our report on the State of Idaho's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Boise State University Foundation, Idaho State University Foundation, Idaho Fish and Wildlife Foundation, Idaho Housing and Finance Association (including The Housing Company, a discretely presented component unit of the Idaho Housing and Finance Association), and the Idaho Public Employees' Deferred Compensation Plan were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Idaho's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Idaho's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Idaho's internal control.

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Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Basic Financial Statement Findings, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a 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. We consider the deficiencies described in the accompanying Basic Financial Statement Findings as item 2020-103 to be a material weakness.

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 consider the deficiencies described in the accompanying Basic Financial Statement Findings as items 2020-101, 2020-102, and 2020-104 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Idaho's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

State of Idaho's Response to Findings

The State of Idaho's response to the findings identified in our audit are described in the accompanying Basic Financial Statement Findings and Management's Corrective Action Plan. The State of Idaho's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Idaho's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Idaho's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



April Renfro, Manager
Legislative Audits Division

STATE OF IDAHO
INTERNAL CONTROL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SCHEDULE OF BASIC FINANCIAL STATEMENTS FINDINGS

STATE OF IDAHO
INTERNAL CONTROL REPORT
SCHEDULE OF BASIC FINANCIAL STATEMENTS FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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STATE OF IDAHO
INTERNAL CONTROL REPORT
BASIC FINANCIAL STATEMENTS FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

IDAHO DEPARTMENT OF ADMINISTRATION (Department)

FINDING 2020-101

Benefits payments subsequent to the actuarial measurement date for Post-Employment Benefits Other than Pensions (OPEB) were overstated by $7,357,468.

Type of Finding: Significant Deficiency

Criteria: The Committee of Sponsoring Organizations of the Treadway Commission (COSO) published the Internal Control Integrated Framework, which provides a basis for organizations to design internal control procedures to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations. A component of this framework is Control Activities, which are the policies and procedures that help ensure the entity's objectives are met. These activities include adequate review and authorization of financial reporting and using the general ledger or other reliable records as the basis for reports.

Each year, State agencies are required to report accounting information to the Office of the State Controller (Office) to provide the details necessary to prepare the CAFR. The Office provides instructions for preparing the information in accordance with Generally Accepted Accounting Principles (GAAP). The Office provided the Department a template to report certain amounts and balances related to Note 9 in the CAFR, which contains information about the State's OPEB plans.

Condition: The Department reports two types of information to the Office each year, an actuarial review of the OPEB plans and additional information about related State benefits payments occurring subsequent to the measurement date of the actuarial report, but before the fiscal year end. These subsequent benefits payments are reported to the Office using a multiple page template containing several dozen separate information disclosures. The information provided allows the Office to properly allocate OPEB liabilities within the CAFR.

Some of the reported subsequent benefits payments are insurance premium payments that the Department collects from other State agencies. These premium payments are then paid to the State's insurance provider. Most of the premiums are received via automated transfers in the State Accounting and Reporting System (STARS) each payroll period. Some of the premiums are received in the form of warrants from agencies that do not use STARS. Our testing identified errors in the amounts reported as subsequent benefits payments for the agencies that do not use STARS.

The initial amounts reported for the subsequent benefits payments incorrectly included $4,594,771 of the employee portion of the premiums collected from the agencies that do not use STARS. There were also several data-entry errors that caused the spreadsheet amounts to be further overstated by $2,762,697 for a total overstatement of $7,357,468.

Cause: The Department uses a spreadsheet to track the benefits payment amounts that State agencies should pay. These amounts are calculated using reports that show the number of employees eligible and enrolled in the OPEB programs and costs per employee for the benefits. The amounts are then entered into the template and submitted to the Office.

The Department has a control procedure in place for the template to be reviewed prior to submission to the Office. Our testing found that this review took place, but did not detect the errors. The Department

experienced turnover in the fiscal section during the fiscal year, and the new staff were not properly trained in the review procedures.

Effect: The initial amount reported for the subsequent benefits payments from the agencies that do not use STARS was $68,172,320. The Department adjusted the amount reported after the errors were discovered in our testing. The correct amount identified by the Department was $60,814,852, which would have resulted in a $7,357,468 overstatement. However, the Department submitted a corrected closing package correcting the error.

Recommendation: We recommend that the Department improve its review procedures and training over the OPEB note template compilation to ensure the information contained therein agrees to the supporting documentation and to STARS.

Management's View: *We understand the single finding in the report and are taking the following actions to address it.*

1. ***Spot Audits*** *– OGI will work with the IDOA Fiscal team to develop a quarterly spot audit of medical and dental premiums received for at least five non-SCO agencies. The spot audit will include BSU, ISU and CWI, and two additional non-SCO agencies each quarter. The two additional agencies will be selected by the Fiscal team. OGI will provide the premium summaries, the political subdivision monthly recording sheet, and any additional backup necessary for the premium payment being audited. The Fiscal team will run an IBIS query to confirm that the premiums were received into the correct accounts for the appropriate agency. The audit will occur in mid-April (Jan thru March premiums); mid-July (April through June premium); mid-October (July through September premiums) and mid-January (October through December premiums).*

2. ***Report Confirmation*** *– Once the SCO books have been closed in July, the OGI administrator will complete the OPEB template provided by SCO and all supporting documentation with the assistance of the Group Insurance Specialist and Employee Benefits Specialist. The backup used to populate the template and the Excel version of the template will be provided to the IDOA Fiscal team for review and sign off. The backup and template will then also be provided to the DIIS Administrator for review and sign off. If any updates are necessary to the original submission being reviewed, the OGI administrator will make the necessary updates and the review process (Fiscal team and DIIS administrator) will be reinitiated. The final, completed OPEB template will then be submitted to SCO by the published deadline.*

Auditor's Concluding Remarks: We thank the Department for its cooperation and assistance throughout the audit.

OFFICE OF THE STATE CONTROLLER (Office)

FINDING 2020-102
The Office's internal review process did not prevent or detect misstatements in the statewide *Comprehensive Annual Financial Report* (CAFR).

Type of Finding: Significant Deficiency

Criteria: The Internal Control Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) provides a basis for organizations to design internal

control procedures to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations. Components of this framework include risk assessment and control activities. Risk assessment is the identification and analysis of various risks entities face because of changing economic, industry, regulatory, and operating conditions. It provides a basis to develop appropriate responses to manage those risks. Control activities are policies and procedures that help ensure management directives are carried out and risks are mitigated, including verifications, approvals, reconciliations, authorizations, and segregation of duties that support this objective. Information and communication relates to obtaining quality information and effective internal and external communication of that information to achieve management objectives. Monitoring is the evaluation of results of the internal controls system and remediation of deficiencies in a timely manner.

Management objectives should include the preparation and fair presentation of the CAFR in conformity with accounting principles generally accepted in the United States of America and compliance with applicable laws and regulations.

Idaho Code, Section 67-1001(2), requires that the Office submit Generally Accepted Accounting Principles (GAAP) financial statements to the Governor and Legislative Services on or before the first day of January for the preceding fiscal year. The Office achieves compliance through the preparation and submission of the CAFR.

Condition: The CAFR submitted for audit purposes included several misstatements, omissions and presentation errors. These items were either identified by the auditors and communicated to management during the audit process or identified by the Office after the CAFR was provided for audit purposes. All the items were immaterial in nature. The following items exceeded our trivial thresholds, but did not exceed the materiality thresholds, for the applicable opinion unit and were corrected prior to the issuance of the CAFR:

- Note 2: We noted that the U.S. Government Obligations, which were valued at cost, were overstated by $2.1 million, the Land held by Endowments, which were valued at cost, were overstated by $2.7 million, and a footnote was unintentionally left in a schedule from the previous year.

- Note 3: We noted a bond series with a disclosed fixed rate paid as 424 percent instead of 4.24 percent.

- Note 6: We noted the Component Units schedule overstated decreases for Improvements Other than Buildings by $184,000 and related accumulated depreciation by $183,000. In addition, the schedule included an unnecessary “As Restated” notation.

- Note 8: We noted that the Capital Market Assumptions for Judge’s Retirement Fund (JRF) agreed to an antiquated draft of an actuarial valuation.

- Note 9: We noted significant changes disclosed in an actuarial valuation that occurred between the valuation date and the measurement date. Under the Actuarial Assumptions section in the Summary of Significant Accounting Policies of the note disclosure, it incorrectly stated there had been no changes between the valuation date and the fiscal year-end. In addition, a required disclosure of a brief description of the changes in assumptions that affected the measurement of the total Other Post Employment Benefits (OPEB) liability since the prior measurement date was absent.

- Note 13: We noted that the total pledged revenue amount on the "Pledged Revenue Summary" was understated by $38.5 million and the associated percent of revenue stream was also misstated by 2.32 percent. In addition, interest rates for the Idaho Housing and Finance Association and a footnote referencing OPEB and pension liabilities were not updated in the note for fiscal year 2020.

- Note 13: The Office noted and corrected bond defeasance amounts for the Idaho State Building Authority after receiving an updated outside audit. The updated outside audit resulted in increases and decreases reported in Schedule F for Governmental Activities. The revenue bonds were originally understated by $37.7 million.

- Note 15: We noted that the net appreciation was understated for an endowment by $0.1 million in the primary government section.

- Note 16: We noted that the finalized outside audit for the Public Employee Retirement System of Idaho (PERSI) included changes to outstanding commitment amounts. The original audit disclosed the outstanding commitments as $689.1 million and €108.9 million, while the final audit disclosed total outstanding commitments as $861.4 million. The final audit was received by the Office after the CAFR had been submitted for audit purposes.

- Management Discussion and Analysis (MD&A): We noted an inconsistent use of parentheses for negative percentages and a missing asterisk next to the 2019 header for Business-Type Activities to indicate the amounts were restated.

- Proprietary Funds – Statement of Revenues, Expenses and Changes in Fund Balance: In our support work at the Department of Labor, we noted the Federal Unemployment Insurance operating revenues and operating expenses were both understated by $89.1 million. The Office received updated financial information from the Department of Labor after the CAFR was provided for audit purposes.

- Proprietary Funds – Statement of Cash Flows: For the Unemployment Compensation fund, we noted an increase due to a change in other assets was overstated by $6.6 million and an increase due to a change in accounts receivable/interfund receivable was understated by $6.6 million.

The following items were not changed prior to the issuance of the CAFR, and were not material:

- Statement of Net Position, Statement of Net Position - Component Units, and Note 13: We noted the amount reported for Long-Term Liabilities, Due Within One Year was overstated by $5 million, and the amount reported for Long-Term Liabilities, Due in More Than One Year is understated by $5 million. The misstatement also flows through to the Note 13 disclosure. The Office reported the erroneous long-term liability amounts as they were reported in a component unit outside audit.

- Note 9: We noted that the disclosures for the University of Idaho did not include a reference to the date of an experience study on which significant assumptions are based. We also noted that the University of Idaho outside audit also does not include this information.

- Required Supplementary Information (RSI): We noted four technical omissions related to the *Governmental Accounting Standards Board (GASB) Statement 75*. All these omissions were immaterial in nature.

- Component Unit Materiality Determination: We noted that two immaterial blended and discrete component units identified by the Office were excluded from the statewide CAFR.

Cause: Internal controls over the compilation process for the CAFR included review of work by a staff member independent of the staff member completing the work; however, these review processes did not prevent or detect several misstatements, errors, and omissions.

Effect: The CAFR financial statements and note disclosures submitted for audit contained misstatements and errors that were not clearly presented; the amounts of which were not material but exceeded our trivial threshold.

Recommendation: We recommend that the Office strengthen the review process over the compilation of the CAFR to ensure that the financial statements, note disclosures, and other information contained therein agree to the documentation that supports those amounts, including closing packages and outside audits.

Management's View: *The State Controller's Office acknowledges the misstatements and presentation errors identified by the auditors. Most errors were corrected prior to the issuance of the financial statements. The office will continue to evaluate and make improvements to the internal review procedures along with additional automated comparisons to identify incorrect information. The office will add an additional step of review using a checklist made up of prior year audit comments to ensure the footnotes of schedules are updated and accurate.*

The office will continue to communicate with component units to receive correct and timely information prior to the first draft. We will communicate to the component units when our draft is due to the auditors and that we need to have any revisions prior to that date. The office will also work with agencies that provide information through our electronic closing package portal to receive correct information prior to the first draft.

Auditor's Concluding Remarks: We thank the Office for its cooperation and assistance throughout the audit.

IDAHO DEPARTMENT OF LABOR (Department)

FINDING 2020-103
The Department understated the amount received from the Federal Government through the Unemployment Insurance program by $89,060,000.

Type of Finding: Material Weakness

Criteria: Each year, State agencies are required to report accounting information in the form of closing packages to the Office of the State Controller (Office) to provide the details necessary to prepare the statewide *Comprehensive Annual Financial Report (*CAFR). The Office provides instructions for the Department to prepare the information in the closing packages in accordance with Generally Accepted Accounting Principles (GAAP). The Department submitted information to report the amount of Federal Government-mandated nonexchange transactions.

The Internal Control Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) provides a basis for organizations to design internal control procedures

to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations.

Management is responsible for establishing a process for preparing accounting information based on relevant, sufficient, and reliable data. Control activities are policies and procedures that help ensure management directives are carried out and risks are mitigated. These activities include adequate review and authorization of financial reporting and using the general ledger or other reliable records as the basis for reports. Information and communication is the identification, capture, and exchange of information, including adequate source documentation to support financial transactions.

Condition: The Department is required to report federally mandated non-exchange transactions in the miscellaneous closing package. These transactions occur when the Federal Government provides resources to another government, in our case the State, and requires them to use the resources for a specific purpose. The State received federal funds to administer the Unemployment Insurance (UI) program during fiscal year 2020.

Through the UI program, the Department receives federal funds to help support the benefits paid to unemployed individuals through various federal programs. The amounts paid through these programs have remained stable for many years; however, with the current COVID-19 pandemic, significant additional federal funding was made available to the states through the creation of several new federal programs. The amounts received were reported to the Office as part of the closing package reporting process.

The information reported for the transactions is compiled using a series of monthly reports from the Department's internal accounting system. The monthly reports are generated and then saved to a shared folder. The Department prepared a compilation spreadsheet from all of the reports saved to the shared file. The compilation report included an error because one of the reports from the shared folder was prepared and saved without including an adjusting journal entry. This error resulted in an understatement of the amount reported to the Office.

Cause: The Department runs monthly reports and reconciles them to the internal system. Once this is completed, the reports are saved in a public folder to allow other Department employees access for various uses, including closing package reporting. During the last quarter of the fiscal year, an error was detected and corrected in one of the reports posted to the public folder; however, the erroneous report was not replaced with the corrected report in the public folder. Department personnel used the erroneous report to create the schedules that were sent to the Office in the closing packages.

The Department has a control procedure in place to review the closing package information before submitting it to the Office. Our testing found that this review occurred, but did not detect the error. During the fiscal year, the Department had turnover within its accounting group resulting in a new reviewer assigned to this closing package. The reviewer ensured that the closing package schedule tied to the reports in the public folder, but was unaware that one report contained errors.

Effect: The amount reported as federal receipts related to Federal Government-mandated nonexchange transactions was understated by $89,060,000, which is below the applicable materiality level for the CAFR, but it is material to activity audited at the Department. After we identified the error, the Department submitted a corrected schedule to the Office.

Recommendation: We recommend that the Department design and implement control procedures to ensure the accuracy of the reports generated and amounts used to complete closing packages. We further

recommend the Department ensure that staff completing the procedures have the proper training to adequately review the reports and closing packages.

Management's View: *The closing package was completed from internal report saved in a shared folder. All reports are reconciled before filing with the granting federal agency. In this case a variance was detected in the reconciliation and was fixed before filing with the granting federal agency, but the report on the shared drive was not updated. The shared drive report was used to complete the closing package resulting in the misstatement.*

Our procedure will change to use reports actually filed with the granting federal agency for closing packages to insure report information has been reconciled and to insure we are using the most recent report version.

Auditor's Concluding Remarks: We thank the Department for its cooperation and assistance throughout the audit.

IDAHO STATE TAX COMMISSION (Commission)

FINDING 2020-104
Internal control procedures were not consistently followed while employees worked remotely during the pandemic resulting in a lack of critical reviews for sales tax distributions, fuel tax distributions, Rebound Idaho distributions, reversals, and total monthly refunds that occurred in February, March, April, and May.

Type of Finding: Significant Deficiency

Criteria: The Committee of Sponsoring Organizations of the Treadway Commission (COSO) published the Internal Control Integrated Framework, which provides a basis for organizations to design internal control procedures to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations. A component of this framework is control activities, which are the policies and procedures that help ensure the entity's objectives are met. These activities include segregation of duties, review and authorization of transactions, and maintaining supporting documentation.

Condition: The Commission uses an End of Month Checklist to document the completion of month-end tasks, reconciliations, and associated reviews.

During our testing of internal controls, we noted four out of the twelve months lacked evidence showing that the End of Month Checklist review was fully completed.

The End of Month Checklist completion and review helps ensure:
- Sales tax amounts are accurately and fully distributed.
- Fuel tax amounts are accurately and fully distributed.
- Rebound Idaho distributions are accurately accounted for in total.
- Payment reversals reconciliations are complete and accurate.
- Monthly refunds are accurately accounted for in total and reconcile to the Statewide Accounting and Reporting System (STARS).

Cause: The End of Month Checklist was not completed for February through May due to the Commission staff working remotely. This step was overlooked in the process of completing other daily tasks and setting up new programs and procedures.

Effect: Substantive audit procedures did not identify any errors in the sales tax distributions, fuel tax distributions, Rebound Idaho distributions, reversals, or total monthly refunds; however, the review process is a critical control, and without evidence that it is consistently applied or that other controls are in place, there is an increased risk of errors occurring and going undetected.

Recommendation: We recommend that the Commission ensure that internal control procedures are in place and consistently applied, including when work is completed remotely, and that they improve the documentation of control activities performed to ensure that reviews are completed and proper segregation of duties is maintained.

Management's View: *During the CAFR Audit, the Legislative Services Office discovered one finding; that the hard copy End of Month Checklist was not utilized when staff was working remotely during the pandemic. The checklist was not utilized from February to May.*

In November, the Commission established an electronic End of Month Checklist on Microsoft OneDrive, so all members of the accounting team can sign off as they complete their tasks. This checklist enables all staff to maintain internal controls even while in a remote environment and will be the standard going forward.

Auditor's Concluding Remarks: We thank the Commission for its cooperation and assistance throughout the audit.

STATE OF IDAHO
INTERNAL CONTROL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

MANAGEMENT'S CORRECTIVE ACTION PLAN

STATE OF IDAHO
CONTROLLER'S OFFICE
BRANDON D WOOLF

Corrective Action Plan
For the Fiscal Year Ended June 30, 2020

Idaho Department of Administration

Finding Number 2020-101: Benefits payments subsequent to the actuarial measurement date for Post-Employment Benefits Other than Pensions (OPEB) were overstated by $7,357,468

Related to Prior Finding: N/A

Agency's View: The Department agrees with the finding.

Corrective Action: We understand the single finding in the report and are taking the following actions to address it:

1. Spot Audits - OGI will work with the IDOA Fiscal team to develop a quarterly spot audit of medical and dental premiums received for at least five non-SCO agencies. The spot audit will include BSU, ISU and CWI, and two additional non-SCO agencies each quarter. The two additional agencies will be selected by the Fiscal team. OGI will provide the premium summaries, the political subdivision monthly recording sheet, and any additional backup necessary for the premium payment being audited. The Fiscal team will run an IBIS query to confirm that the premiums were received into the correct accounts for the appropriate agency. The audit will occur in mid-April (Jan thru March premiums); mid-July (April through June premium); mid-October (July through September premiums) and mid-January (October through December premiums).

2. Report Confirmation - Once the SCO books have been closed in July, the OGI administrator will complete the OPEB template provided by SCO and all supporting documentation with the assistance of the Group Insurance Specialist and Employee Benefits Specialist. The backup used to populate the template and the Excel version of the template will be provided to the IDOA Fiscal team for review and sign off. The backup and template will then also be provided to the DIIS Administrator for review and sign off. If any updates are necessary to the original submission being reviewed, the OGI administrator will make the necessary updates and the review process (Fiscal team and DIIs administrator) will be reinitiated. The final, completed OPEB template will then be submitted to SCO by the published deadline.

Anticipated Corrective Action Date: January 15, 2021

Responsible for Corrective Action: Steven Bailey
Deputy Director
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Steven.bailey@admin.idaho.gov
650 West State Street Room 100
Boise, ID 83720-0024

Office of the State Controller

Finding Number 2020-102: The Office's internal review process did not prevent or detect misstatements in the statewide CAFR.

Related to Prior Finding: N/A

Agency's View: The Office agrees with this finding.

Corrective Action: The State Controller's Office acknowledges the misstatements and presentation errors identified by the auditors. Most errors were corrected prior to the issuance of the financial statements. The office will continue to evaluate and make improvements to the internal review procedures along with additional automated comparisons to identify incorrect information. The office will add an additional step of review using a checklist made up of prior year audit comments to ensure the footnotes of schedules are updated and accurate.

The office will continue to communicate with component units to receive correct and timely information prior to the first draft. We will communicate to the component units when our draft is due to the auditors and that we need to have any revisions prior to that date. The office will also work with agencies that provide information through our electronic closing package portal to receive correct information prior to the first draft.

Anticipated Corrective Action Date: The State Controller's Office will complete the corrective actions by June 30, 2021.

Responsible for Corrective Action: Tiffini LeJeune
Reporting and Review Bureau Chief
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Tlejeune@sco.idaho.gov
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Boise, ID 83720

Idaho Department of Labor

Finding Number 2020-103: The Department understated the amount received from the Federal Government through the Unemployment Insurance program by $89,060,000.

Related to Prior Finding: N/A

Agency's View: The Department agrees with the finding.

Corrective Action: The closing package was completed from internal report saved in a shared folder. All reports are reconciled before filing with the granting federal agency. In this case a variance was detected in the reconciliation and was fixed before filing with the granting federal agency, but the report on the shared drive was not updated. The shared drive report was used to complete the closing package resulting in the misstatement.

Our procedure will change to use reports actually filed with the granting federal agency for closing packages to insure report information has been reconciled and to insure we are using the most recent report version.

Anticipated Corrective Action Date: August 2021

Responsible for Corrective Action:
John Taylor
Financial Executive Officer
Phone: 208-332-3570
John.taylor@labor.idaho.gov
317 W Main Street
Boise, ID 83735

Idaho State Tax Commission

Finding Number 2020-104: Internal control procedures were not consistently followed while employees worked remotely during the pandemic resulting in a lack of critical reviews for sales tax distributions, fuel tax distributions, Rebound Idaho distributions, reversals, and total monthly refunds that occurred in February, March, April, and May.

Related to Prior Finding: 2019-104

Agency's View: The Commission agrees with this finding.

Corrective Action: During the CAFR audit, the Legislative Services Office discovered one finding; that the hard copy end of month checklist was not utilized when staff was working remotely during the pandemic. The checklist was not utilized form February to May.

In November, the Commission established an electronic end of month checklist on Microsoft OneDrive, so all members of the accounting team can sign off as they complete their tasks. This checklist enables all staff to maintain internal controls even while in a remote environment and will be the standard going forward.

Anticipated Corrective Action Date: November 2020

Responsible for Corrective Action: Nick Landry
Financial Executive Officer
Phone: 208-334-7507
Nick.Landry@tax.idaho.gov
11321 W. Chinden Blvd
Boise, ID 83714

STATE OF IDAHO
INTERNAL CONTROL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SCHEDULE OF BASIC FINANCIAL STATEMENTS PRIOR FINDINGS

STATE OF IDAHO
INTERNAL CONTROL REPORT
SCHEDULE OF BASIC FINANCIAL STATEMENTS PRIOR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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STATE OF IDAHO
INTERNAL CONTROL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

MANAGEMENT'S FOLLOW-UP FOR
BASIC FINANCIAL STATEMENTS PRIOR FINDINGS



Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2020

Office of the State Controller

Finding Number 2019-101: The Office's internal review process did not prevent or detect misstatements in the statewide CAFR.

Related to Prior Finding: 2018-101 (see below)

Current Status: Corrected

Idaho Department of Health and Welfare

Finding Number 2019-102: The Department did not have a current evaluation of the adequacy of internal controls for a service organization responsible for processing $230 million in pharmacy expenditure claims.

Related to Prior Finding: N/A

Current Status: Corrected

Finding Number 2019-103: Capital assets in progress and capitalized intangible asset costs could be overstated and not in compliance with Governmental Accounting Standards Board Statement (GASB) Statement No. 51 requirements.

Related to Prior Finding: N/A

Current Status: Corrected

Idaho State Tax Commission

Finding Number 2019-104: Evidence of review for sales tax distributions and reversal reconciliations was not maintained.

Related to Prior Finding: N/A

Current Status: Partially corrected

Reason for recurrence: Due to the timing of when corrective action was taken, January 15, 2020, the finding was not fully corrected for fiscal year 2020.

Planned corrective action: Regarding sales tax distributions, four end-of-month checklists did not have initials indicating that a review occurred. Data entry and review was done at the Financial Specialist Senior level. Moving forward, the Financial Specialist Principal or Financial Executive Officer will sign the End of Month checklist before it is filed to verify that a review was conducted by one of the Financial Specialist Seniors. The Financial Specialist Principal will be the primary contact in verifying that a review was conducted. The Financial Executive Officer will be the verifier in the Financial Specialist Principal's absence.

Regarding the review of reversal reconciliations, reversals and reconciliations were conducted by one individual. The Commission had personnel staffing shortfalls which contributed to this process. The Commission now has three active Financial Specialist Seniors that execute the day to day revenue accounting operations. Changes to workflow have been implemented and the individual who conducted the reversal process only reconciles the reversals while one of the other two employees enter in the reversal. All three employees are capable of entering and reconciling the reversal. If needed, one of the Financial Specialist Principals or the Financial Executive Officer can conduct the reconciliation.

Partial corrective action taken: Action was taken as identified in the agency's CAP response.

Idaho Transportation Department

Finding Number 2019-105: The Department did not appropriately monitor the adequacy of internal controls for a service organization responsible for processing approximately $15.2 million in receipts for International Registration Plan (IRP) fees.

Related to Prior Finding: N/A

Current Status: Corrected

FY 2018 FINDINGS

Office of the State Controller

Finding Number 2018-101: The Office's internal review process did not prevent or detect misstatements in the statewide CAFR.

Related to Prior Finding: N/A

Current Status: Corrected

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