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# **Standing Rock Sioux Tribe Government Services Department**

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*Financial Statements, Independent Auditor's Report  
and  
Single Audit Reporting Package  
September 30, 2016*



CPAs | Business & Financial Advisors

# Standing Rock Sioux Tribe Government Services Department

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# **Standing Rock Sioux Tribe Government Services Department**

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## Independent Auditor's Report

To the Honorable Chairman and Members of the Tribal Council  
Standing Rock Sioux Tribe  
Fort Yates, North Dakota

### **Report on the Financial Statements**

Except as disclosed in the disclaimer of opinions paragraphs below, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Governmental Services Department (the "Department") of the Standing Rock Sioux Tribe (the "Tribe") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not

for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. 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.

Except for the matters described in the "Basis for Disclaimer of Opinions" paragraphs, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Summary of Opinions***

<b><u>Opinion Unit</u></b>	<b><u>Type of Opinion</u></b>
Governmental Activities	Disclaimer
General Fund	Disclaimer
JTAC Permanent Funds	Qualified
Streets and Roads Fund	Disclaimer
Indirect Cost Funds	Disclaimer
Federal Grant Funds	Disclaimer
Aggregate Remaining Fund Information	Disclaimer

### **Basis for Disclaimer of Opinions**

#### ***Governmental Activities***

Detailed capital asset records have not been maintained. Therefore, we were not able to obtain sufficient appropriate audit evidence about the amounts at which capital assets, and the related accumulated depreciation are recorded in the accompanying statement of net position at September 30, 2016 (stated at \$155,096,805, and \$54,611,563, respectively), and the amount of depreciation expense for the year then ended (stated at \$4,619,504).

Detailed records and supporting data for grant receivables and unearned revenue have not been maintained and certain prior-year records and supporting data were not available for our audit. Therefore, we were not able to obtain sufficient appropriate audit evidence about the amounts at which grant receivables and unearned revenue are recorded in the accompanying statement of net position at September 30, 2016 (stated at \$65,418,430 and \$97,492,493, respectively).

#### ***General Fund***

Detailed records and supporting data for grant receivables and unearned revenue have not been maintained and certain prior-year records and supporting data were not available for our audit. Therefore, we were not able to obtain sufficient appropriate audit evidence about the amounts at which grant receivables and unearned revenue are recorded in the accompanying balance sheet at September 30, 2016 (stated at \$3,570,886 and \$28,139,376, respectively).

Detailed interfund receivable and interfund payable records have not been maintained and certain prior-year records and supporting data were not available for our audit. Therefore, we were not able to obtain sufficient appropriate audit evidence about the amounts at which interfund receivable and interfund payable are recorded in the accompanying balance sheet at September 30, 2016 (stated at \$42,372,379 and \$23,261,702, respectively).

### *Streets and Roads Fund*

Detailed unearned revenue records and supporting data have not been maintained and certain prior-year records and supporting data were not available for our audit. Therefore, we were not able to obtain sufficient appropriate audit evidence about the amount at which unearned revenue is recorded in the accompanying balance sheet at September 30, 2016 (stated at \$9,328,543).

Detailed interfund receivable records have not been maintained and certain prior-year records and supporting data were not available for our audit. Therefore, we were not able to obtain sufficient appropriate audit evidence about the amount at which interfund receivable is recorded in the accompanying balance sheet at September 30, 2016 (stated at \$22,155,305).

### *Indirect Cost Funds*

Detailed records and supporting data for grant receivables and unearned revenue have not been maintained and certain prior-year records and supporting data were not available for our audit. Therefore, we were not able to obtain sufficient appropriate audit evidence about the amounts at which grant receivables and unearned revenue are recorded in the accompanying balance sheet at September 30, 2016 (stated at \$6,617,206 and \$134,442, respectively).

Detailed interfund payable records have not been maintained and certain prior-year records and supporting data were not available for our audit. Therefore, we were not able to obtain sufficient appropriate audit evidence about the amount at which interfund payable is recorded in the accompanying balance sheet at September 30, 2016 (stated at \$6,323,204).

### *Federal Grants Funds*

Detailed records and supporting data for grant receivables and unearned revenue have not been maintained and certain prior-year records and supporting data were not available for our audit. Therefore, we were not able to obtain sufficient appropriate audit evidence about the amounts at which grant receivables and unearned revenue are recorded in the accompanying balance sheet at September 30, 2016 (stated at \$39,295,276 and \$33,445,534, respectively).

Detailed interfund payable records have not been maintained and certain prior-year records and supporting data were not available for our audit. Therefore, we were not able to obtain sufficient appropriate audit evidence about the amount at which interfund payable is recorded in the accompanying balance sheet September 30, 2016 (stated at \$19,874,962).

### *Aggregate Remaining Fund Information*

Detailed records and supporting data for grant receivables and unearned revenue have not been maintained and certain prior-year records and supporting data were not available for our audit. Therefore, we were not able to obtain sufficient appropriate audit evidence about the amounts at which grant receivables and unearned revenue are recorded in the accompanying balance sheet at September 30, 2016 (stated at \$15,690,375 and \$19,704,633, respectively).

Detailed interfund payable records have not been maintained and certain prior-year records and supporting data were not available for our audit. Therefore, we were not able to obtain sufficient appropriate audit evidence about the amount at which interfund payable is recorded in the accompanying balance sheet at September 30, 2016 (stated at \$16,174,213).

### ***Disclaimer of Opinions***

Because of the significance of the matters described in the “Basis for Disclaimer of Opinions” paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Department’s governmental activities, general fund, streets and roads fund, indirect cost fund, federal grant fund, and aggregate remaining fund information. Accordingly, we do not express an opinion on the financial statements of the Department’s governmental activities, general fund, streets and roads fund, indirect cost fund, federal grant fund, and aggregate remaining fund information.

### **Basis for Qualified Opinion**

#### ***JTAC Permanent Funds***

Detailed records and supporting data for grant receivables and unearned revenue have not been maintained and certain prior-year records and supporting data were not available for our audit. Therefore, we were not able to obtain sufficient appropriate audit evidence about the amounts at which grant receivables and unearned revenue are recorded in the accompanying balance sheet at September 30, 2016 (stated at \$244,687 and \$6,739,965, respectively).

Detailed interfund receivable records have not been maintained and certain prior-year records and supporting data were not available for our audit. Therefore, we were not able to obtain sufficient appropriate audit evidence about the amount at which interfund receivable is recorded in the accompanying balance sheet at September 30, 2016 (stated at \$1,106,397).

#### ***Qualified Opinion***

In our opinion, except for the possible effects of the matter discussed in the “Basis for Qualified Opinion” paragraph, the financial statements referred to above present fairly, in all material respects, the respective position of the JTAC Permanent Funds as of September 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Emphasis-of-Matter***

As discussed in Note 1, the financial statements of the Department are intended to present the financial position, and the changes in financial position, of only that portion of the governmental activities and each major fund and aggregate remaining fund information of the Standing Rock Sioux Tribe that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the Standing Rock Sioux Tribe, as a whole, as of September 30, 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### ***Other Matters***

##### ***Required Supplementary Information***

The Department has omitted management’s discussion and analysis and its general fund budget comparison schedule that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the

Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.


#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The combining schedules of general fund balance sheets and statements of revenues, expenditures and changes in fund balances, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining schedules of the general fund balance sheets, statements of revenues, expenditures and changes in fund balances, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the significance of the matters described in the "Basis for Disclaimer of Opinions" paragraphs, we do not express an opinion on the financial statements of the Department's general fund balance sheets, statements of revenues, expenditures and changes in fund balances, and the schedule of expenditures of federal awards.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2017, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.



Phoenix, Arizona  
June 27, 2017



## Government-Wide Financial Statements

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Statement of Net Position**  
**September 30, 2016**

	<u>Governmental Activities</u>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 43,175,134
Receivables	
Intergovernmental	65,418,430
Loans	11,869,764
Accounts	161,776
Interest	310,115
Other	89,660
Allowance for doubtful accounts	(11,275,601)
Investments	765,666
Due from related parties	1,380,775
Restricted investments held by trustee	98,993,955
Total current assets	<u>210,889,674</u>
Noncurrent assets	
Land and construction in progress	53,043,844
Other capital assets, net of depreciation	47,441,398
Total noncurrent assets	<u>100,485,242</u>
Total assets	<u>311,374,916</u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	3,729,730
Accrued interest	272,480
Accrued liabilities	893,962
Unearned revenue	97,492,493
Current portion of long-term debt	4,273,127
Total current liabilities	<u>106,661,792</u>
Long-term liabilities	
Long-term debt, net of current portion	9,359,611
Accrued compensated absences	940,901
Total long-term liabilities	<u>10,300,512</u>
Total liabilities	<u>116,962,304</u>
<b>Net Position</b>	
Net investment in capital assets	39,411,106
Restricted for	
Settlement funds held by trustee	98,993,955
Unrestricted	56,007,551
Total net position	<u>\$ 194,412,612</u>

The accompanying notes are an integral part of these financial statements.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Statement of Activities**  
**For the Year Ended September 30, 2016**

	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Functions/Programs</b>						
<b>Primary government</b>						
Governmental activities						
General government	\$ 59,465,695	\$ (4,589,106)	\$ 10,641,528	\$ 5,603,730	\$ -	\$ (38,631,331)
Public safety	1,924,316	307,072	553,620	2,106,463	-	428,695
Public works	759,965	995,243	-	-	6,757,084	5,001,876
Health and welfare	16,739,951	1,867,658	110,297	16,735,660	-	(1,761,652)
Culture and recreation	2,128,584	53,350	25,337	237,076	-	(1,919,521)
Education	6,003,580	704,189	381,090	3,659,353	-	(2,667,326)
Economic development	860,937	51,538	3,775	604,032	-	(304,668)
Conservation	6,199,139	610,056	420,580	4,497,248	-	(1,891,367)
Interest expense	580,603	-	-	-	-	(580,603)
Total governmental activities	<u>\$ 94,662,770</u>	<u>\$ -</u>	<u>\$ 12,136,227</u>	<u>\$ 33,443,562</u>	<u>\$ 6,757,084</u>	(42,325,897)
General revenues and transfers						
Taxes and fees						25,979,405
Investment income						3,759,760
Transfers – internal activity						7,240,914
Total general revenues and transfers						<u>36,980,079</u>
Change in net position						(5,345,818)
Net position, beginning of year, as restated (Note 17)						<u>199,758,430</u>
<b>Net position, end of year</b>						<u><b>\$ 194,412,612</b></u>

The accompanying notes are an integral part of these financial statements.

## Fund Financial Statements

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Balance Sheet—Governmental Funds**  
**September 30, 2016**

	Major Government Funds		
	General	JTAC	Streets and
	Fund	Permanent	Roads Funds
		Funds	
<b>Assets</b>			
Cash and cash equivalents	\$ 5,172,959	\$ 5,988,903	\$ 359,870
Receivables			
Intergovernmental	3,570,886	244,687	-
Loans	845,688	-	-
Accounts	34,794	-	-
Interest	26,448	146	-
Other	40,976	-	-
Allowance for doubtful accounts	(927,023)	(146)	-
Investments	-	765,666	-
Due from related parties	-	-	-
Due from other funds	42,372,379	1,106,397	22,155,305
Restricted investments held by trustee	-	96,204,846	-
Total assets	<u>\$ 51,137,107</u>	<u>\$ 104,310,499</u>	<u>\$ 22,515,175</u>
<b>Liabilities and Fund Balances (Deficits)</b>			
Liabilities			
Accounts payable	\$ 1,776,990	\$ 100,000	\$ -
Accrued expenses	893,962	-	-
Due to other funds	23,261,702	-	-
Unearned revenue	<u>28,139,376</u>	<u>6,739,965</u>	<u>9,328,543</u>
Total liabilities	<u>54,072,030</u>	<u>6,839,965</u>	<u>9,328,543</u>
Commitments and contingencies			
Fund balances (deficits)			
Restricted	-	96,204,846	-
Committed	-	1,265,688	13,186,632
Unassigned	<u>(2,934,923)</u>	<u>-</u>	<u>-</u>
Total fund balances (deficits)	<u>(2,934,923)</u>	<u>97,470,534</u>	<u>13,186,632</u>
Total liabilities and fund balance	<u>\$ 51,137,107</u>	<u>\$ 104,310,499</u>	<u>\$ 22,515,175</u>

Indirect Cost Funds	Federal Grants Funds	Other Governmental Funds	Total Governmental Funds
\$ 631,675	\$ 12,527,564	\$ 18,494,163	\$ 43,175,134
6,617,206	39,295,276	15,690,375	65,418,430
-	-	11,024,076	11,869,764
-	120,542	6,440	161,776
-	-	283,521	310,115
-	48,684	-	89,660
-	(129,624)	(10,218,808)	(11,275,601)
-	-	-	765,666
-	1,380,775	-	1,380,775
-	-	-	65,634,081
-	-	2,789,109	98,993,955
<u>\$ 7,248,881</u>	<u>\$ 53,243,217</u>	<u>\$ 38,068,876</u>	<u>\$ 276,523,755</u>
\$ -	\$ 844,927	\$ 1,007,813	\$ 3,729,730
-	-	-	893,962
6,323,204	19,874,962	16,174,213	65,634,081
134,442	33,445,534	19,704,633	97,492,493
<u>6,457,646</u>	<u>54,165,423</u>	<u>36,886,659</u>	<u>167,750,266</u>
-	-	2,789,109	98,993,955
-	-	1,367,870	15,820,190
791,235	(922,206)	(2,974,762)	(6,040,656)
<u>791,235</u>	<u>(922,206)</u>	<u>1,182,217</u>	<u>108,773,489</u>
<u>\$ 7,248,881</u>	<u>\$ 53,243,217</u>	<u>\$ 38,068,876</u>	<u>\$ 276,523,755</u>

The accompanying notes are an integral part of these financial statements.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Reconciliation of the Balance Sheet — Governmental**  
**Funds to the Statement of Net Position**  
**September 30, 2016**

**Total fund balances – governmental funds** \$ 108,773,489

Amounts reported for governmental activities in the statement of  
net position are different because:

Capital assets (net of depreciation) used in governmental  
activities are not financial resources and therefore not  
reported in the fund financial statements. 100,485,242

Liabilities that are not due and payable in the current period  
and, therefore, not reported in governmental funds:

Long-term debt	\$ (13,632,738)	
Accrued interest	(272,480)	
Compensated absences	<u>(940,901)</u>	
		<u>(14,846,119)</u>

**Total net position of governmental activities** \$ 194,412,612

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance — Governmental Funds**  
**For the Year Ended September 30, 2016**

	Major Governmental Funds		
	General	JTAC	
	Fund	Permanent	Streets and
		Funds	Roads Fund
<b>Revenues</b>			
Intergovernmental	\$ -	\$ 823,577	\$ 376,349
Indirect cost recovery	-	-	-
Taxes and fees	5,382,096	1,710,000	-
Investment income	600	3,013,563	85
Other	270,896	1,541,356	-
Land lease income	7,251,149	-	-
In-kind	-	-	-
Total revenues	<u>12,904,741</u>	<u>7,088,496</u>	<u>376,434</u>
<b>Expenditures</b>			
Current			
General government	29,820,755	3,382,661	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	28,022	-	-
Culture and recreation	-	-	-
Education	113,579	1,090,634	-
Economic development	279,915	-	-
Conservation	78,445	-	-
Debt service			
Principal	-	-	300,000
Interest and other charges	-	154,664	76,433
Capital outlay	<u>11,049</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>30,331,765</u>	<u>4,627,959</u>	<u>376,433</u>
Revenues over (under) expenditures before other financing sources (uses)	<u>(17,427,024)</u>	<u>2,460,537</u>	<u>1</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in (out)	<u>7,240,914</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>7,240,914</u>	<u>-</u>	<u>-</u>
Net change in fund balances (deficits)	(10,186,110)	2,460,537	1
Fund balances, beginning of year, as restated	<u>7,251,187</u>	<u>95,009,997</u>	<u>13,186,631</u>
<b>Fund balances, (deficits) end of year</b>	<u>\$ (2,934,923)</u>	<u>\$ 97,470,534</u>	<u>\$ 13,186,632</u>



Indirect Cost Funds	Federal Grant Funds	Other Governmental Funds	Total Governmental Funds
\$ 6,262,458	\$ 31,013,094	\$ 1,013,180	\$ 39,488,658
4,802,872	-	-	4,802,872
134,442	3,085,906	15,666,961	25,979,405
-	1,879	743,633	3,759,760
1,654	674,172	2,397,000	4,885,078
-	-	-	7,251,149
-	711,988	-	711,988
<u>11,201,426</u>	<u>35,487,039</u>	<u>19,820,774</u>	<u>86,878,910</u>
10,714,192	2,013,911	12,419,945	58,351,464
-	2,212,367	19,021	2,231,388
-	1,339,334	415,874	1,755,208
207,117	13,325,149	2,846,144	16,406,432
-	358,234	745,457	1,103,691
-	5,053,165	428,499	6,685,877
201,703	419,232	-	900,850
-	5,669,413	1,061,337	6,809,195
-	-	2,189,037	2,489,037
-	-	349,506	580,603
70,513	5,096,234	631,343	5,809,139
<u>11,193,525</u>	<u>35,487,039</u>	<u>21,106,163</u>	<u>103,122,884</u>
<u>7,901</u>	<u>-</u>	<u>(1,285,389)</u>	<u>(16,243,974)</u>
-	-	-	7,240,914
-	-	-	7,240,914
7,901	-	(1,285,389)	(9,003,060)
783,334	(922,206)	2,467,606	117,776,549
<u>\$ 791,235</u>	<u>\$ (922,206)</u>	<u>\$ 1,182,217</u>	<u>\$ 108,773,489</u>

The accompanying notes are an integral part of these financial statements.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures and Changes in Fund Balance —**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended September 30, 2016**

**Net change in fund balance – governmental funds** \$ (9,003,060)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures; however, they are presented as assets in the statement of activities and depreciated over their estimated economic lives:

Capital outlays included in capital assets	\$ 5,809,139	
Current year depreciation expense for total capital assets	<u>(4,619,504)</u>	
		1,189,635

Debt proceeds provide current financial resources to governmental funds; however, repayments reduce long-term liabilities. Repayment of long-term debt is reported as an expenditure in governmental funds.

Repayment of long-term debt	<u>2,489,037</u>	
		2,489,037

Certain items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of:

Increase in accrued interest	36,019	
Increase in compensated absences	<u>(57,449)</u>	
		<u>(21,430)</u>

**Change in net position of governmental activities** **\$ (5,345,818)**

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Notes to Financial Statements**  
**September 30, 2016**

**1) Summary of Significant Accounting Policies**

The Standing Rock Sioux Tribe is a federally recognized Indian tribe situated in North and South Dakota with the headquarters located in Fort Yates, North Dakota. The Department operates under a constitution approved on April 24, 1959, by its own elected council members under the auspices of the Indian Reorganization Act of 1934. The tribal government consists of a Chairman, Vice-Chairman, a Secretary, and 14 council members. The Administration consists of the Chair, Vice-Chair, Secretary, an Executive Director (not elected), and 6 political appointees. Administration carries out resolutions and motions made by the Tribal Council.

The financial statements of the Department have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applied to government units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which along with subsequent GASB pronouncements (Statements and Interpretations), constitute GAAP for governmental units, including Indian tribes.

**Reporting Entity**

The financial statements of the Department are intended to present the financial position, and the changes in financial position, of only that portion of the governmental activities and each major fund of the Standing Rock Sioux Tribe that is attributable to the transaction of the Department. They do not purport to, and do not, present fairly the financial position of the Standing Rock Sioux Tribe, as a whole, as of September 30, 2016.

The Department's major operations include general government, public safety, public works, health and welfare, culture and recreation, education, economic development, and conservation. The accompanying financial statements reflect the operations and financial position of the activities of the Tribe's Governmental Services Department (the "Department"). The Department is the Tribe's principal department for administering and providing essential governmental services to the Tribe's members.

The governmental financial reporting entity as defined in the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Section 2100 consists of the primary government, organization for which the primary government is financially accountable, and other organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be

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misleading or incomplete. A primary government is any state or general-purpose local government consisting of all the organizations that make up its legal entity.

All funds, organizations, institutions, agencies, departments and offices that are not legally separate are, for financial reporting purposes, part of the primary government. The Department, therefore, is part of the primary government of the Tribe.

**Basic Financial Statements**

The basic financial statements include both department-wide statements and fund-based financial statements. The department-wide statements focus on the department as a whole, while the fund-based financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between entities to enhance the usefulness of the information.

Department-Wide Financial Statements

The department-wide financial statements (i.e., the statement of net position and the statement of activities and changes in net position) report information on all of the activities of the Department. Governmental activities of the Tribe are the only activities of the Department.

Governmental activities, which include all governmental funds, are supported by intergovernmental revenues, taxes and fees, investment income, land lease income and transfers from the Tribe's enterprises.

The statement of net position reports the assets and liabilities of the Department. The net position section of the statement represents the residual amount of assets less their associated liabilities. Net position are divided into three categories, which are net investment in capital assets, restricted net position, and unrestricted net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

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Fund Financial Statements

The fund financial statements provide information about the Department's funds. The emphasis of fund financial statements is on major governmental, each displayed in a separate column.

The Department reports the following major governmental funds:

- ♦ *General Fund*—Accounts for all financial resources, except those required to be accounted for in another fund. Within the general fund, for budgetary purposes, operations of the Department are accounted for by various governmental activities such as general government, public safety, public works, health and welfare, culture and recreation, education, economic development and conservation.
- ♦ *JATC Permanent Fund*—This fund is a permanent fund used to account for collection or disbursement of assets held in trust for the Department by the Bureau of Indian Affairs (BIA), an agency within the U.S. Department of the Interior. This fund accounts for assets received in the 1992 JTAC settlement and the BIA holds and invests the funds in a Trustee capacity.
- ♦ *Streets and Roads Fund*—this fund is used to account for the Department's streets and roads along with the loans received to fund those projects.
- ♦ *Indirect Cost Funds*—these funds are used to account for costs of administration and operation which cannot be readily allocated to individual programs. These costs are paid from the indirect cost pool and allocated to applicable programs, based on a negotiated indirect cost rate agreement.
- ♦ *Federal Grants Funds*—accounts for the proceeds of specific revenue sources legally restricted to expenditures for specific purposes. Federal and state intergovernmental contracts and grants are accounted for in this fund.

**Measurement Focus and Basis of Accounting**

Department-Wide Financial Statements

The Department-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of when the related cash flow takes place. Grants and donations are recognized as revenues as soon as all eligibility requirements the provider imposed have been met.

Fund Financial Statements

Governmental funds are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e.,

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when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues are considered available if they are collected within 60 days after year-end.

Taxes, leases, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Department.

Nonexchange transactions, in which the Department gives (or receives) value without directly receiving (or giving) equal value in exchange include grants, entitlements and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which eligibility requirements have been satisfied.

Under the terms of grant agreements, the Department funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. The Department applies grant resources to such programs before using general revenues.

Expenditures are recorded when the related fund liability is incurred. However, principal and interest on general long-term liabilities and claims and judgments are recorded as fund liabilities and expenditures when they are due. In general, only current assets and liabilities are shown on the balance sheet and unreserved fund balance is considered a measure of “available spendable resources.” Expenditure driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term liabilities and acquisitions under capital leases are reported as other financing sources.

### **Financial Statement Presentation**

#### **Cash and Cash Equivalents**

The Department’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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Investments

The Department is authorized to invest in certificates of deposit, repurchase agreements, passbooks, and other available investments, provided that securities are pledged to secure those funds, or the investment is covered by Federal Deposit Insurance Corporation (FDIC) insurance. The Department may also invest in obligations of, or guaranteed by, the United States of America. At September 30, 2016, the Department's investment activity consists of certificates of deposit and U.S. Government money market funds. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, certain investments are reported at fair value, which is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. In addition, investments are presented in the financial statements in accordance with GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, which addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk.

During fiscal year 2016, the Department implemented the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*. Fair value is the amount that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement for financial reporting purposes. The statement also provides guidance for applying fair value to certain investments and disclosures.

Restricted Investments

The Department has investments held in trust which are endowments which were awarded to the Tribe by Congress and the original endowment cannot be accessed and must remain with the United States Treasury, unless the Department is granted authorization by the U.S. Congress to withdraw the funds. The funds that have these restricted investments are permanent funds and consist of the JTAC fund which accounts for assets received in the 1992 JTAC settlement, the Oahe settlement fund which is a permanent fund used to account for assets received in the 1958 Oahe claims settlement, and the Section V Land fund which accounts for land transactions on land that is managed by the BIA.

Accounts Receivable

Accounts receivable represents amounts due from customers, Tribal members, employees, and component units. Accounts receivable are monitored and evaluated for collectability based on historical experience and written-off when deemed uncollectible. The allowance for doubtful accounts adjusts for those accounts the Department deems uncollectible.

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Intergovernmental Receivables/Unearned Revenues

Federal and state grants and contracts are recorded as intergovernmental receivables and revenues when the related expenditures are incurred. That portion of reimbursement in excess of the expenditures is offset in the unearned revenues account.

Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” in the fund financial statements, and are eliminated in the Department-wide Statement of Net Position. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed. All other interfund transactions are reported as transfers.

Capital Assets and Depreciation

Capital assets, which include land, construction in progress, tribal infrastructure, buildings, vehicles and equipment are reported in the applicable governmental column in the Department-wide financial statements. Capital assets are defined by the Department as assets with an initial, individual cost of \$3,000 or more with an estimated useful life in excess of one year. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. The estimated useful lives for significant capital assets are as follows:

Tribal infrastructure	7-35 years
Buildings	35 years
Vehicles	3-7 years
Equipment	3-7 years

Deferred Outflows and Inflows of Resources

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be



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recognized as an expense or expenditures in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods. The Department does not have any items that qualify for reporting for these categories in fiscal year 2016.

Compensated Absences

The Department accrues the cost of unpaid vacation. Full-time permanent employees accrue annual leave at 4 to 8 hours biweekly. Annual leave may be accrued to a maximum of 240 hours. Upon termination, accrued unused annual leave will be paid to the employee. Accumulated unpaid annual leave is not accrued as a fund liability, but rather is shown as a long-term liability on the statement of net position.

Fund Balance Classifications (Fund Financial Statement – Modified Accrual)

The governmental funds' fund balances are reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned and unassigned fund balance classifications.

- ♦ *Nonspendable fund balance*—the nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as inventories, or are legally or contractually required to be maintained intact,
- ♦ *Restricted fund balance*—amounts that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations,
- ♦ *Committed fund balance*—self-imposed limitations that the Tribal Council approved, which is the highest level of decision-making authority within the Department. Only the Tribal Council can remove or change the constraints placed on committed fund balance,
- ♦ *Assigned fund balance*—amounts that are intended to be used by the Department for specific purposes but do not meet the criteria to be classified as restricted or committed, and
- ♦ *Unassigned fund balance*—the residual classification for the Department's general fund and includes all spendable amounts not contained in the other classifications. Also, deficits in fund balances of other governmental funds are reported as unassigned.

Restricted funds are used first as appropriate. Assigned funds are reduced to the extent that expenditure authority has been budgeted by the Council or the assignment has been changed by the Council. Decreases to fund balance first reduce unassigned fund balance; in the event that Unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

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Net Position Classifications (Department-Wide Financial Statements – Full Accrual)

The difference between assets and liabilities is “net position” on the department-wide financial statements. Net position is classified in the following three categories:

*Net Investment in Capital Assets*—consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for notes, and other debt that are attributed to the acquisition, construction or improvements of those assets.

*Restricted Net Position*—restricted net position results when constraints placed on an asset’s use are either externally imposed by creditors, grantors, and contributions or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted Net Position*—unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position is often designated to indicate that management does not consider it to be available for general operations. Unrestricted net position often has constraints on resources which are imposed by the Council, but can be removed or modified.

Investment Earnings

Investment earnings is composed of interest, dividends, and net changes in the fair value of applicable investments.

Intergovernmental Revenues

In determining when to recognize intergovernmental grant and contract revenues, the legal and contractual requirements of the individual grants and contracts are used as guidance. Most grants and contracts require that monies be expended for a specific purpose before any amounts will be paid to the Department; therefore, revenues are recognized based upon the expenditures recorded. All other major governmental revenues are recorded when received, because they are either not available soon enough to pay liabilities of the current period or are not objectively measurable.

Indirect Costs

Indirect costs represent costs of administration and operation, including accounting costs, which cannot be readily allocated to individual programs. These costs are paid from the indirect cost pool and allocated to applicable programs, based on a negotiated indirect cost agreement. The rate of 19.99% was in use for this fiscal period. These overhead costs have been reflected in the accompanying combined financial statements as expenditures of the governmental funds and as revenue to reimburse the expenditures of the indirect cost fund.

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Federal and State Income Taxes

The Department, as a federally recognized sovereign government, is exempt from federal and state income taxes. As such, no income taxes have been provided for in the accompanying financial statements.

Budgets and Budgetary Accounting

The Department prepares annual budgets for its funds. Budgets for federal and state grant funds are required by the grantor agencies. The budgets for federal and state grants are subject to final approval by the grantor agencies. The budget for indirect cost is subject to final approval by the U.S. Department of the Interior, Office of the Inspector General. During the year, budget modifications are made due to changes in funding and the needs of the programs. All budget appropriations lapse at year-end.

For programs that operate on the same fiscal year as the Department, budgets can be logically compared to the budgets submitted to the granting agency for approval. However, some programs have a fiscal year-end that differs from the Department's year-end, thus making the program year-end budget not comparable to the Department's fiscal year-end expenditures for that program. For this reason, some budgets shown for report purposes may be based on best reasonable estimates developed from a combination of two different year-end budgets to compile a fiscal year-end budget. There were no such budgets for the 2016 fiscal year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. The most significant estimates include an allowance for doubtful accounts, estimated useful lives of capital assets, and compensated absences. Actual results could differ from those estimates.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

New Accounting Pronouncements

The GASB has issued several statements which have not yet been implemented by the Tribes. The statements which may have a future impact on the Department are as follows:

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- ♦ GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, becomes effective in the fiscal year ending September 30, 2017. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements established in paragraph 53 of GASB Statement No. 14.
- ♦ GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, becomes effective in the fiscal year ending September 30, 2017. This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The Department has not fully determined the effect that the implementation of GASB Statement Nos. 80 and 82 will have on the Department's financial statements.

**2) Deposits and Investments**

Deposits—At September 30, 2016, the carrying amount of the Department's deposits was \$41,862,864 and the bank balance was \$43,130,902.

A reconciliation of cash and cash equivalents as shown on the accompanying statement of net position as of September 30, 2016, follows:

	Governmental Activities
<b>Cash and Cash Equivalents – Unrestricted</b>	
Deposits	\$ 41,862,864
Certificate of deposits	1,193,020
Money market mutual funds	119,250
Total cash and cash equivalents	<u>\$ 43,175,134</u>

Custodial Credit Risk—Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be returned to it. The Department does not have a deposit policy for custodial credit risk. As of September 30, 2016, deposits have a reported balance of \$41,862,864 and a bank balance of \$43,130,902. Of all the bank balance, all is fully covered by FDIC and pledged collateral.

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Investments

The Department's investment at September 30, 2016, were as follows:

Investment Type	Amount
Treasury securities held in trust	\$ 97,993,915
Mortgaged backed securities	1,000,040
U.S. treasury securities	765,666
Total investments	<u>\$ 99,759,621</u>

*Interest Rate Risk*—The Tribe does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

At September 30, 2016, the Department's investment maturities were as follows:

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less Than 1	1–5	6–10	More Than 10
Treasury securities held in trust	\$ 97,993,915	\$ -	\$ -	\$ -	\$ 97,993,915
Mortgaged backed securities	1,000,040	-	-	-	1,000,040
U.S. treasury securities	765,666	765,666	-	-	-
Total	<u>\$ 99,759,621</u>	<u>\$ 765,666</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,993,955</u>

*Credit Risk*—The Tribe has no policy regarding credit risk. The CDs are insured by federal depository insurance up to \$250,000, and the remaining balance is collateralized by assets pledged by the financial institutions. All investments are U.S. treasury securities which are rated as AAA which is the highest degree of safety with overwhelming repayment capacity.

*Concentration of Credit Risk*—Concentration of credit risk is the risk of loss attributed to the magnitude of an issuer's investment in a single issuer. U.S. government securities, mutual funds, and external investment pools are exempt from this requirement. The Tribe places no limit on the amount that the Tribe may invest in any one issuer. No investments in any one issuer represent 5% or more of total investments.

Fair Value Measurement

The Department's investments measured and reported at fair value are classified according to the following hierarchy:

- ♦ Level 1 – Investments reflect prices quoted in active markets.

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- ♦ Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- ♦ Level 3 – Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

	Fair Value	Fair Value Measurement Inputs		
		Level 1	Level 2	Level 3
Mortgaged backed securities	\$ 1,000,040	\$ -	\$ 1,000,040	\$ -
Governmental securities	98,759,581	-	98,759,581	-
Total	<u>\$ 99,759,621</u>	<u>\$ -</u>	<u>\$ 99,759,621</u>	<u>\$ -</u>

### 3) Investments Held in Trust

The investments held in trust, amounting to \$98,993,955, consist of land settlement proceeds received from the U.S. government, plus interest accumulated since the settlements. These funds are held by the BIA on behalf of the Department. These amounts held in trust are invested by the BIA and consist of U.S. governmental securities.

### 4) Loans Receivable

The Department operates several funds that loan money to Tribal members for education, emergency assistance, and other purposes. Significant portions of principal and interest payments on these loans are delinquent as of September 30, 2016. The loans, their related interest receivable, and allowance for doubtful accounts are as follows:

	Total	Tribal Funds							
		Education Loans	Credit Program	Land Sale Loans	Tribal Loan Program	Ag Assistance	Salary Loans	Accounts Receivable	Other Receivables
Loans receivable	\$ 11,869,764	\$ 475,099	\$ 6,742,906	\$ 73,671	\$ 709,377	\$ 3,088,260	\$ 780,451	\$ -	\$ -
Interest receivable	310,115	-	11,181	80,876	218,058	-	-	-	-
Accounts receivable	161,776	-	-	-	-	-	-	161,776	-
Other receivables	89,660	-	-	-	-	-	-	-	89,660
Less allowance for doubtful accounts	(11,275,601)	(475,099)	(6,079,670)	(138,775)	(558,697)	(3,017,368)	(780,451)	(161,074)	(64,467)
Net loans receivable	<u>\$ 1,155,714</u>	<u>\$ -</u>	<u>\$ 674,417</u>	<u>\$ 15,772</u>	<u>\$ 368,738</u>	<u>\$ 70,892</u>	<u>\$ -</u>	<u>\$ 702</u>	<u>\$ 25,193</u>

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**5) Due from Related Parties**

During the year the Department extended a line of credit to Standing Rock Telecommunications, Inc. which is an enterprise of the Tribe for \$1,500,000. The line of credit was approved by a Tribal resolution stating the terms between the two parties. This resolution was enacted in September of 2014 but no funds were drawn down until October of 2014. The line of credit is offered with the condition that any funds drawn on the line of credit shall be repaid to the Department in full at 0% interest within a period of one year. The amount owed to the Department at September 30, 2016, is shown below:

	<u>Telecom Loan</u>
Line of credit receivable	\$ <u>1,380,775</u>

**6) Capital Assets**

The following is a summary of changes in capital assets of the Governmental Funds for the years ended September 30, 2016. These amounts are included in the statement of net position in the government-wide financial statements and are not reported in the governmental fund financial statements.

The following is a summary of the capital assets of the governmental funds:

	Beginning Balance	Additions	Disposals	Ending Balance
<i>Capital assets, not being depreciated</i>				
Land	\$ 24,519,170	\$ -	\$ -	\$ 24,519,170
Construction in progress	23,473,447	5,051,227	-	28,524,674
Total capital assets not being depreciated	47,992,617	5,051,227	-	53,043,844
<i>Capital assets, being depreciated</i>				
Tribal infrastructure	69,037,488	-	-	69,037,488
Buildings	20,987,642	-	-	20,987,642
Vehicles	6,899,938	132,823	-	7,032,761
Equipment	4,369,981	625,089	-	4,995,070
Total capital assets being depreciated	101,295,049	757,912	-	102,052,961
Less accumulated depreciation	(49,992,059)	(4,619,504)	-	(54,611,563)
Total capital assets being depreciated, net	51,302,990	(3,861,592)	-	47,441,398
Governmental activities capital assets, net	\$ 99,295,607	\$ 1,189,635	\$ -	\$ 100,485,242

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The governmental funds allocated depreciation expense in the government-wide financial statements to the primary government functions as follows:

Economic development	\$ 2,201,177
General government	1,306,567
Health and welfare	1,078,243
Education	21,892
Culture and recreation	11,625
Total depreciation expense	<u>\$ 4,619,504</u>

**7) Interfund Receivables and Payables**

Outstanding balances between funds reported as “due to/due from other funds” include outstanding charges by one fund to another for services, goods, or other miscellaneous receivables or payables between funds. The following Interfund balances at September 30, 2016, are not expected to be repaid within one year and are summarized below:

Receivable Fund	Payable Fund	Amount
General fund	Indirect cost funds	\$ 6,323,204
General fund	Federal grant funds	19,874,962
General fund	Other governmental funds	16,174,213
JTAC permanent funds	General fund	1,106,397
Streets and road fund	General fund	22,155,305

Included in the governmental fund type interfund activity are interfund balances between special revenue funds (those receiving federal and state funding) and the Department’s disbursement fund. The interfund balances of the special revenue funds represent amounts due to / from the Department’s disbursement fund, resulting from timing differences arising during the accounts payable cycle.



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**8) Long-Term Liabilities**

Transactions for the governmental funds for the year ended September 30, 2016, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental activities	\$ 16,121,775	\$ -	\$ (2,489,037)	\$ 13,632,738	\$ 4,273,127
Compensated absences	883,452	1,133,600	(1,076,151)	940,901	-
	<u>\$ 17,005,227</u>	<u>\$ 1,133,600</u>	<u>\$ (3,565,188)</u>	<u>\$ 14,573,639</u>	<u>\$ 4,273,127</u>

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Long-term debt for governmental funds is comprised of the following at September 30, 2016:

Two notes payable to Wells Fargo for Tribal Streets and Roads, due in quarterly principal payments of \$125,000 and \$75,000 plus accrued interest at 6.10% and 2.8% variable with the final payments due in January 2025 and April 2025, respectively. These notes are collateralized through assignment of income	\$ 6,875,000
Note payable to Wells Fargo for the Standing Rock Housing Authority (SRHA) due in quarterly installments of \$46,000 including interest at 4.25% with the final payment due in June 2017. This note is collateralized through assignment of income from the Tribal Economic Recovery Fund.	1,187,881
Note payable to the USDA for the Fort Yates Water Tank Project, due in annual installments of \$80,265, including interest at 4.25%. Final payment is due October 2045. Final payment is due October 2045. This note is not collateralized.	1,229,174
Note payable to the USDA for the Road Project, due in annual installments of \$29,880, including interest at 4.25%. Final payment is due November 2053. This note is not collateralized.	26,738
Note payable to Starion Financial for Landowner's Payouts, due in quarterly installments of \$380,659, including interest at 4%. Final payment is due August 2017. The note is collateralized by transfers from the casinos.	400,235
Consolidated mortgages payable to Starion Financial for home mortgage loans, due in quarterly installments of \$116,693, including interest at 4.85%. The last payment is due January 2018 and collateralized by transfers from the casinos.	677,289
Note payable to Starion Financial due in quarterly installments of \$18,191, including interest at 4.85%. Final payment is due January 2019. The note is collateralized by transfers from the casinos.	443,896
Note payable to Starion Financial due in quarterly installments of \$102,561, including interest at 4.35%. Final payment is due August 2017. The note is collateralized by transfers from the casinos.	399,328
Note payable to Lehigh Capital Access, Inc., for the Porcupine Head Start Building, due in monthly installments of \$108,503, including interest at 5.99% through July 2023. This note is collateralized by revenue.	1,348,716
Note payable to Grant County State bank due in annual installments of \$450,000, including interest at 6%. Final payment is due in August 2017. The note is not collateralized.	1,044,481
	<u>\$ 13,632,738</u>

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The annual principal and interest requirements to maturity for long-term debt for governmental funds as of September 30, 2016, are as follows:

	Principal	Interest
2017	\$ 4,273,127	\$ 543,707
2018	1,278,552	329,451
2019	1,331,641	278,062
2020	1,007,288	240,263
2021	1,019,280	205,891
2022-2026	3,225,651	552,083
2027-2031	242,927	307,794
2032-2036	299,128	251,594
2037-2041	368,331	182,391
2042-2046	409,188	97,179
Thereafter	177,625	31,441
	<u>\$ 13,632,738</u>	<u>\$ 3,019,855</u>

**9) Fund Deficits**

The following funds had a deficit fund balance at September 30, 2016:

Fund/Component Unit	Fund Number	Deficit Fund Balance
Sitting Bull VOC	1400	\$ (922,208)
Water and Sewer	2010	(710,566)
AG Assistance	1137	(497,559)
Tribal Loan Program	1252	(192,858)
Telecom Loan	1333	(331,217)
Land Purchase	1136	(250,420)
Health Plan	1111	(246,570)
PT SBC home Repair	1404	(222,849)
Dakota Access Pipe	1148	(148,365)
Rock Crusher	6012	(102,560)
Land Sale Loans	1250	(57,016)
Land Acquisitions	3028	(36,258)
Solen Water Line	1341	(29,880)
OEDP EMPG	1127	(18,982)

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The deficits above will be recovered through future revenues and transfers from the Department's general fund and business enterprises. For the federal fund (1400), the Tribe was not aware of this deficit as it is from a previous year transfer of funds to one of the business enterprises, as we are not rendering an opinion over this fund, we will not be making any changes to it in the current year.

**10) Restricted Net Position**

Restricted fund balance amounts are associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned). Restricted fund balances are for amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation, in this case by the Bureau of Indian Affairs.

The following summarizes the fund balances that are restricted and describes the nature of this restriction:

Fund Name	Fund Number	Net Position	Nature of Restriction/Designation
JTAC Funds	8048	\$ 96,204,846	Restricted by Bureau of Indian Affairs
Oahe Settlement	8046	1,529,981	Restricted by Bureau of Indian Affairs
Docket 119 Trust Fund	8043	1,259,128	Restricted by Bureau of Indian Affairs
Nonspendable		<u>\$ 98,993,955</u>	

**11) Interfund Transfers**

Individual fund transfers for fiscal year 2016 were as follows:

Transfers In	Transfers Out		
	Casinos	General Fund	Total
Tribal districts	\$ -	\$ 885,990	\$ 885,990
General fund	(8,126,904)	-	(8,126,904)
Total	<u>\$ (8,126,904)</u>	<u>\$ 885,990</u>	<u>\$ (7,240,914)</u>

During the 2016 fiscal year, there were several material related party transactions between the Tribe and its blended component units. The related party transactions during

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the year were reported as transfers between the entities. Throughout the year, the casinos provided the Department with portions of its gaming revenue. The Department also provides the casinos and the eight Tribal Districts with cash transfers throughout the year to assist with the operations and cash flow.

**12) Economic Dependency**

The Department receives the majority of its governmental fund type revenue from various grants funded by federal, state, and local governments, which are subject to legislative change.

**13) Commitments and Contingencies**

Grants

The Department participates in a number of federal and state-assisted grant and contract programs that are subject to program compliance audits by the grantor agencies or their representatives. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the Department. The Department's management believes such revisions or disallowances, if any, will not be material to the accompanying financial statements.

Landfills

In July 1995, the Department closed its seven landfills and a final cover was placed on these landfills at that time. Due to the size and location of these landfills, the Department is not required to follow any state and federal regulations regarding post-closure care requirements. The Department permanently maintains the fencing around and the covers over the landfills. In addition, if funds are available, the Department intends to incur post-closure costs. No liability is recorded in the accompanying financial statements for post-closure landfills costs since the Department is not required by state or federal regulations to spend any additional funds on the landfills. However, future changes in state or federal regulations may require the Department to expend additional funds on the landfills, and these costs may require Tribal funding.

JTAC Trust Fund

In April of 2002, the United States Department of the Interior and the Office of the Inspector General launched an investigation into the Department's use of interest income from the JTAC Trust Fund. Allegations were made that approximately \$7,400,000

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intended for school construction projects was instead deposited into several different banks as cash collateral for loans guaranteed by the Department. If the Department is charged with wrongdoing as a result of this investigation, the Department could be liable for restoring the JTAC trust money, and could be subject to additional sanctions. However, the Department is confident that they will be cleared of any wrongdoing.

The JTAC Trust Fund consists of an original endowment of \$90,600,000, which was awarded to the Department by Congress through the enactment of PL 102-575, The Standing Rock Sioux Tribe Equitable Compensation Act of 1992. The original endowment cannot be accessed and must remain with the United States Treasury, unless the Department is granted authorization by the United States Congress to withdraw the funds. Interest earned on the original funds may be used to address certain issues of the Department, including education, social welfare, and economic development. These funds are to be made available to enrolled members of the Department and Tribal entities residing on the reservation.

**14) Black Hills of South Dakota Settlement**

The Department is party to a claim against the federal government for financial compensation for, or the return of, the land known as the Black Hills of South Dakota. A settlement with a cost and fair market value of \$1,099,693,822 and \$1,144,883,668, respectively, offered by the federal government has been rejected as inadequate compensation. The portion of the award and claims attributable to the Standing Rock Sioux Department has not been determined.

**15) Pension Plan**

Standing Rock Sioux Tribe maintains a defined contribution pension plan that is administered by Mass Mutual Financial Services. The Department's 401(k) Retirement Plan, Plan No. 006989, was established to be effective March 1, 2000, with employees being able to participate after attainment of eligibility.

To meet eligibility, employees must be 18 years of age, enroll effective at the beginning of a quarter, and be a full-time employee. Contribution requirements and Plan provisions were established by the Department and can be amended in the future. All employee contributions are 100 percent vested immediately upon eligibility and participation. The employer matching contributions vest at 50 percent after one year of service, becoming 100 percent vested after two years of service.

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Participants may contribute up to 15% of their pretax annual compensation. The Department makes contributions equal to 5% of each participant's annual compensation. Nonvested Tribal contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses. For the year ended September 30, 2016, forfeitures reduced the Tribe's pension expense by \$5,898. The Department made contributions in the amount of \$638,242 and employees of the Department contributed \$577,594 during the year ended September 30, 2016.

**16) Risk Management**

The Department is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is carried by the Department for these risks.

**17) Prior-Period Adjustments**

The Department's fund financial statements as of September 30, 2015, were misstated due to the following incorrectly recorded items:

*Fund Balance*

Fund balances, October 1, 2015, as previously reported	\$ 138,167,173
Adjustment to correct prior year fund balance for the general fund	(20,870,275)
Adjustment to correct prior year fund balance for the JTAC fund	(6,346,506)
Adjustment to correct prior year fund balance for the streets and roads fund	(9,349,393)
Adjustment to correct prior year fund balance for the indirect cost fund	7,876,168
Adjustment to correct prior year fund balance for the other governmental funds	<u>8,299,382</u>
Fund balance, October 1, 2015, as restated	<u>\$ 117,776,549</u>

The adjustment above was needed as the Department was removing erroneous fund balances incorrectly carried over from prior years.

The Tribe's Department-wide financial statements as of September 30, 2015, were misstated due to the following incorrectly reported items:

*Net Position*

Net position, October 1, 2015, as previously reported	\$ 220,149,054
Adjustments noted above to fund balances	<u>(20,390,624)</u>
Net position, October 1, 2015, as restated	<u>\$ 199,758,430</u>

## Supplementary Information



**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Combining Schedules of General Fund Balance Sheets and**  
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	General Fund	HEW Committee	Judicial Committee	ECON Committee	Chairman/ Vice
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ 497,988	\$ 23,193	\$ 23,552	\$ 16,585
Receivables – grants	-	1,604,826	-	-	-
Receivables – loans	-	-	-	-	-
Receivables – accounts	-	34,794	-	-	-
Receivables – interest	-	19,009	-	-	-
Receivables – other	-	40,976	-	-	-
Allowance for doubtful accounts	-	(94,779)	-	-	-
Due from other funds	17,560,990	4,109,801	-	-	-
Total assets	<u>\$ 17,560,990</u>	<u>\$ 6,212,615</u>	<u>\$ 23,193</u>	<u>\$ 23,552</u>	<u>\$ 16,585</u>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 1,691,529	\$ -	\$ -	\$ -
Accrued expenses	-	524,466	-	-	-
Unearned revenue	500,428	21,918	23,183	23,542	16,575
Due to other funds	17,734,813	-	10	10	10
Total liabilities	<u>18,235,241</u>	<u>2,237,913</u>	<u>23,193</u>	<u>23,552</u>	<u>16,585</u>
<b>Fund Balances</b>					
Fund balances (deficits)	(674,251)	3,974,702	-	-	-
Total liabilities and fund balance	<u>\$ 17,560,990</u>	<u>\$ 6,212,615</u>	<u>\$ 23,193</u>	<u>\$ 23,552</u>	<u>\$ 16,585</u>
<b>Revenue</b>					
Taxes and fees	\$ -	\$ 283,074	\$ 310,407	\$ 279,915	\$ 186,600
Investment income	-	-	-	-	-
Other	-	-	-	-	585
Land lease income	7,251,149	-	-	-	-
Total revenue	<u>7,251,149</u>	<u>283,074</u>	<u>310,407</u>	<u>279,915</u>	<u>187,185</u>
<b>Expenditures</b>					
General government	7,925,400	40,976	310,407	-	183,836
Health and welfare	-	28,022	-	-	-
Education	-	-	-	-	-
Economic development	-	-	-	279,915	-
Conservation	-	-	-	-	-
Capital outlay	-	-	-	-	3,349
Total expenditures	<u>7,925,400</u>	<u>68,998</u>	<u>310,407</u>	<u>279,915</u>	<u>187,185</u>
Revenues (under) over expenditures	<u>(674,251)</u>	<u>214,076</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)	-	-	-	-	-
Operating transfers in (out)	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing and other sources over (under) expenditures and other uses	<u>(674,251)</u>	<u>214,076</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficits), beginning of year, as restated	-	3,760,626	-	-	-
<b>Fund balances (deficits), end of year</b>	<u>\$ (674,251)</u>	<u>\$ 3,974,702</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Executive Offices	Administration Building	Legal Department	Mailroom-GF	General Fund Benefits	Grants Mgmt GF	General Fund Kenel District
\$ 1,493	\$ 21,985	\$ 62,093	\$ 15,677	\$ 3,343	\$ 20	\$ 8,010
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	10,878	-	-	-
<u>\$ 1,493</u>	<u>\$ 21,985</u>	<u>\$ 62,093</u>	<u>\$ 26,555</u>	<u>\$ 3,343</u>	<u>\$ 20</u>	<u>\$ 8,010</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
1,483	21,725	-	26,555	3,333	-	8,000
10	260	62,093	-	10	20	10
<u>1,493</u>	<u>21,985</u>	<u>62,093</u>	<u>26,555</u>	<u>3,343</u>	<u>20</u>	<u>8,010</u>
-	-	-	-	-	-	-
<u>\$ 1,493</u>	<u>\$ 21,985</u>	<u>\$ 62,093</u>	<u>\$ 26,555</u>	<u>\$ 3,343</u>	<u>\$ 20</u>	<u>\$ 8,010</u>
\$ 21,408	\$ 192,331	\$ 377,059	\$ 102,691	\$ 18,516	\$ -	\$ 20,000
-	-	-	-	-	-	-
-	-	-	10,888	-	-	-
-	-	-	-	-	-	-
<u>21,408</u>	<u>192,331</u>	<u>377,059</u>	<u>113,579</u>	<u>18,516</u>	<u>-</u>	<u>20,000</u>
21,408	192,331	377,059	-	18,516	-	20,000
-	-	-	-	-	-	-
-	-	-	113,579	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>21,408</u>	<u>192,331</u>	<u>377,059</u>	<u>113,579</u>	<u>18,516</u>	<u>-</u>	<u>20,000</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
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	General Fund Kenel District	General Fund Kenel District	General Fund Kenel District	GF- Rock Creek	GF- Wakpala
<b>Assets</b>					
Cash and cash equivalents	\$ 8,010	\$ 8,010	\$ 8,010	\$ 8,010	\$ 8,010
Receivables – grants	-	-	-	-	-
Receivables – loans	-	-	-	-	-
Receivables – accounts	-	-	-	-	-
Receivables – interest	-	-	-	-	-
Receivables – other	-	-	-	-	-
Allowance for doubtful accounts	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 8,010</u>	<u>\$ 8,010</u>	<u>\$ 8,010</u>	<u>\$ 8,010</u>	<u>\$ 8,010</u>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	-	-
Unearned revenue	8,000	8,000	8,000	8,000	8,000
Due to other funds	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
Total liabilities	8,010	8,010	8,010	8,010	8,010
<b>Fund Balances</b>					
Fund balances (deficits)	-	-	-	-	-
Total liabilities and fund balance	<u>\$ 8,010</u>	<u>\$ 8,010</u>	<u>\$ 8,010</u>	<u>\$ 8,010</u>	<u>\$ 8,010</u>
<b>Revenue</b>					
Taxes and fees	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
Investment income	-	-	-	-	-
Other	-	-	-	-	-
Land lease income	-	-	-	-	-
Total revenue	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
<b>Expenditures</b>					
General government	20,000	20,000	20,000	20,000	20,000
Health and welfare	-	-	-	-	-
Education	-	-	-	-	-
Economic development	-	-	-	-	-
Conservation	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
Revenues (under) over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)					
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing and other sources over (under) expenditures and other uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficits), beginning of year, as restated	-	-	-	-	-
<b>Fund balances (deficits), end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

— continued

GF- Bear Soldier	Tribal Court Collections	Prairie Knights Casino	Election	Casino Long Soldier	Casino CannonBall	Casino Porcupine
\$ 8,010	\$ 25,412	\$ 15	\$ 10	\$ 62,486	\$ 96,306	\$ 22,355
-	-	-	164,128	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	9,355,891	-	46,829	-	-
<u>\$ 8,010</u>	<u>\$ 25,412</u>	<u>\$ 9,355,906</u>	<u>\$ 164,138</u>	<u>\$ 109,315</u>	<u>\$ 96,306</u>	<u>\$ 22,355</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
8,000	13,505	18,659,589	-	109,315	32,102	22,346
10	11,908	-	164,138	-	64,204	8
<u>8,010</u>	<u>25,413</u>	<u>18,659,589</u>	<u>164,138</u>	<u>109,315</u>	<u>96,306</u>	<u>22,354</u>
-	(1)	(9,303,683)	-	-	-	1
<u>\$ 8,010</u>	<u>\$ 25,412</u>	<u>\$ 9,355,906</u>	<u>\$ 164,138</u>	<u>\$ 109,315</u>	<u>\$ 96,306</u>	<u>\$ 22,355</u>
\$ 20,000	\$ 29,785	\$ -	\$ 30,425	\$ 166,576	\$ 42,803	\$ 81,672
-	3	-	-	-	-	-
-	-	-	-	36,439	85,605	-
-	-	-	-	-	-	-
<u>20,000</u>	<u>29,788</u>	<u>-</u>	<u>30,425</u>	<u>203,015</u>	<u>128,408</u>	<u>81,672</u>
20,000	29,789	16,449,604	30,425	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>20,000</u>	<u>29,789</u>	<u>16,449,604</u>	<u>30,425</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	(1)	(16,449,604)	-	203,015	128,408	81,672
-	-	7,145,971	-	(203,015)	(128,408)	(81,671)
-	-	7,145,971	-	(203,015)	(128,408)	(81,671)
-	(1)	(9,303,633)	-	-	-	1
-	-	(50)	-	-	-	-
<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ (9,303,683)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>

The accompanying notes are an integral part of these financial statements.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Combining Schedules of General Fund Balance Sheets and**  
**Statements of Revenues, Expenditures and Changes in Fund Balances**  
**As of and for the Year Ended September 30, 2016**

	Casino Running Antel	Casino Kenel	Casino Rock Creek	Casino Wakpala	Casino Bear Soldier
<b>Assets</b>					
Cash and cash equivalents	\$ 24,400	\$ 42,274	\$ 24,575	\$ 24,945	\$ 38,082
Receivables – grants	-	-	-	-	-
Receivables – loans	-	-	-	-	-
Receivables – accounts	-	-	-	-	-
Receivables – interest	-	-	-	-	-
Receivables – other	-	-	-	-	-
Allowance for doubtful accounts	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 24,400</u>	<u>\$ 42,274</u>	<u>\$ 24,575</u>	<u>\$ 24,945</u>	<u>\$ 38,082</u>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	-	-
Unearned revenue	24,390	21,137	24,565	24,935	38,062
Due to other funds	10	21,137	10	10	20
Total liabilities	<u>24,400</u>	<u>42,274</u>	<u>24,575</u>	<u>24,945</u>	<u>38,082</u>
<b>Fund Balances</b>					
Fund balances (deficits)	-	-	-	-	-
Total liabilities and fund balance	<u>\$ 24,400</u>	<u>\$ 42,274</u>	<u>\$ 24,575</u>	<u>\$ 24,945</u>	<u>\$ 38,082</u>
<b>Revenue</b>					
Taxes and fees	\$ 38,100	\$ 56,365	\$ 85,968	\$ 91,428	\$ 64,656
Investment income	-	-	-	-	-
Other	-	28,183	12,292	8,312	87,592
Land lease income	-	-	-	-	-
Total revenue	<u>38,100</u>	<u>84,548</u>	<u>98,260</u>	<u>99,740</u>	<u>152,248</u>
<b>Expenditures</b>					
General government	-	-	-	-	-
Health and welfare	-	-	-	-	-
Education	-	-	-	-	-
Economic development	-	-	-	-	-
Conservation	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues (under) over expenditures	<u>38,100</u>	<u>84,548</u>	<u>98,260</u>	<u>99,740</u>	<u>152,248</u>
Other financing sources (uses)					
Operating transfers in (out)	<u>(38,100)</u>	<u>(84,548)</u>	<u>(98,260)</u>	<u>(99,740)</u>	<u>(152,248)</u>
Total other financing sources (uses)	<u>(38,100)</u>	<u>(84,548)</u>	<u>(98,260)</u>	<u>(99,740)</u>	<u>(152,248)</u>
Revenues and other financing and other sources over (under) expenditures and other uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficits), beginning of year, as restated	-	-	-	-	-
<b>Fund balances (deficits), end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

— continued

Federal Deficit	Tribal Rangeland IMP	Grand River	General Fund	Payroll	Salary Loans	All Subtypes Type Total
\$ 2,385,011	\$ 76,666	\$ 418	\$ 53,068	\$ 1,427,791	\$ 147,146	\$ 5,172,959
1,789,704	12,228	-	-	-	-	3,570,886
-	-	-	65,237	-	780,451	845,688
-	-	-	-	-	-	34,794
-	-	7,439	-	-	-	26,448
-	-	-	-	-	-	40,976
-	-	(7,439)	(44,354)	-	(780,451)	(927,023)
-	-	9,173,429	2,114,561	-	-	42,372,379
<u>\$ 4,174,715</u>	<u>\$ 88,894</u>	<u>\$ 9,173,847</u>	<u>\$ 2,188,512</u>	<u>\$ 1,427,791</u>	<u>\$ 147,146</u>	<u>\$ 51,137,107</u>
\$ -	\$ -	\$ -	\$ -	\$ 85,461	\$ -	\$ 1,776,990
-	-	-	-	369,496	-	893,962
-	-	7,793,871	56,994	96,936	526,887	28,139,376
4,174,716	88,893	-	-	875,897	63,445	23,261,702
<u>4,174,716</u>	<u>88,893</u>	<u>7,793,871</u>	<u>56,994</u>	<u>1,427,790</u>	<u>590,332</u>	<u>54,072,030</u>
(1)	1	1,379,976	2,131,518	1	(443,186)	(2,934,923)
<u>\$ 4,174,715</u>	<u>\$ 88,894</u>	<u>\$ 9,173,847</u>	<u>\$ 2,188,512</u>	<u>\$ 1,427,791</u>	<u>\$ 147,146</u>	<u>\$ 51,137,107</u>
\$ 2,439,213	\$ 85,144	\$ -	\$ 20,883	\$ 237,077	\$ -	\$ 5,382,096
586	2	-	-	-	9	600
-	1,000	-	-	-	-	270,896
-	-	-	-	-	-	7,251,149
<u>2,439,799</u>	<u>86,146</u>	<u>-</u>	<u>20,883</u>	<u>237,077</u>	<u>9</u>	<u>12,904,741</u>
2,439,800	-	980,933	-	237,076	443,195	29,820,755
-	-	-	-	-	-	28,022
-	-	-	-	-	-	113,579
-	-	-	-	-	-	279,915
-	78,445	-	-	-	-	78,445
-	7,700	-	-	-	-	11,049
<u>2,439,800</u>	<u>86,145</u>	<u>980,933</u>	<u>-</u>	<u>237,076</u>	<u>443,195</u>	<u>30,331,765</u>
(1)	1	(980,933)	20,883	1	(443,186)	(17,427,024)
-	-	980,933	-	-	-	7,240,914
-	-	980,933	-	-	-	7,240,914
(1)	1	-	20,883	1	(443,186)	(10,186,110)
-	-	1,379,976	2,110,635	-	-	7,251,187
<u>\$ (1)</u>	<u>\$ 1</u>	<u>\$ 1,379,976</u>	<u>\$ 2,131,518</u>	<u>\$ 1</u>	<u>\$ (443,186)</u>	<u>\$ (2,934,923)</u>

The accompanying notes are an integral part of these financial statements.

## Schedule of Expenditures of Federal Awards

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2016**

Federal Grantor / Pass-through Grantor / Program Title / Fund Title / Contract Number	Pass-Through Number	Federal CFDA or Other Identifying Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>			
Special Supplemental Nutrition Program for Women, Infants, and Children		10.557	\$ 1,834,536 *
Child and Adult Care Food Program		10.558	523,001
Food Distribution Program on Indian Reservations		10.567	485,384
Senior Farmers Market Nutrition Program		10.576	7,960
Water and Waste Disposal Systems for Rural Communities - Kenel Lagoon		10.760	598,142
Rural Energy for America Program		10.868	4,691
Total U.S. Department of Agriculture			<u>3,453,714</u>
<b>U.S. Department of Commerce</b>			
Telecomm Project		11.300	64,767
Total U.S. Department of Commerce			<u>64,767</u>
<b>U.S. Department of Interior</b>			
Aid to Tribal Government		15.020	23,000
Consolidated Tribal Government Program-Criminal Justice		15.021	1,835,124 *
Consolidated Tribal Government Program-Constitution Revision		15.021	108,728 *
Consolidated Tribal Government Program-Short-Term Loan		15.021	72,847 *
Consolidated Tribal Government Program-Water Resources		15.021	407,015 *
Consolidated Tribal Government Program-Higher Education		15.021	941,582 *
Consolidated Tribal Government Program-Reservation Resources		15.021	196,257 *
Consolidated Tribal Government Program-Game & Fish		15.021	290,128 *
Consolidated Tribal Government Program-Indian Child Welfare		15.021	109,728 *
Consolidated Tribal Government Program-Environmental Quality		15.021	97,109 *
Consolidated Tribal Government Program-Child Welfare Services		15.021	1,941,713 *
Consolidated Tribal Government Program-Johnson O'Malley		15.021	210,586 *
Road Maintenance_Indian Roads		15.033	553,234
Real Estate Programs_Indian Lands -Land Operations		15.040	455,269
Real Estate Programs_Indian Lands -Land Management		15.040	90,193
Real Estate Programs_Indian Lands -Land Management- Weed Control		15.040	12,094
Bureau of Indian Affairs Facilities_Operations and Maintenance		15.048	42,322
Safety of Dams on Indian Lands		15.065	79,710
Safety of Dams on Indian Lands		15.065	18,363
Indian Social Services_Welfare Assistance		15.113	15,336
Indian Loans_Economic Development		15.124	337,045
Land Buy-Back Program For Tribal Nations		15.152	35,924
Garrison Diversion Unit		15.518	1,574,246 *
Garrison Diversion Unit		15.518	988,316 *
Garrison Diversion Unit		15.518	4,442,852 *
Garrison Diversion Unit		15.518	143,791 *
Historic Preservation Fund Grants-In-Aid		15.904	68,106
Water Resources on Indian Lands-Water Control Board		15.037	2,334
Water Resources on Indian Lands-BIA Funds		15.037	4,082
Water Resources on Indian Lands-USGS Stream Flow Gauging		15.037	70,349
Education Program Enhancement-TED Grant		15.151	52,522
Education Program Enhancement		15.151	26,573
Education Program Enhancement-ESITE		15.151	72,296
Subtotal U.S. Department of Interior			<u>15,318,774</u>

See accompanying notes to the schedule of expenditures of federal awards.



**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Expenditures of Federal Awards — continued**  
**For the Year Ended September 30, 2016**

Federal Grantor / Pass-through Grantor / Program Title / Fund Title / Contract Number	Pass-Through Number	Federal CFDA or Other Identifying Number	Federal Expenditures
U.S. Department of Interior - continued			
<i>Pass-through Program from Indian Health Service</i>			
Garrison Diversion Unit-I.H.S. Water Project (GDU)		15.518	\$ 1,037,471 *
Total Pass-through Program from Indian Health Service			<u>1,037,471</u>
<i>Pass-through Program from the State of North Dakota</i>			
Consolidated Tribal Government Program-Title 4-E	A16AV00387	15.021	162,299
ND Emergency Management	PA-08-SD-4186-PW-00043	15.Unknown	(21)
Total Pass-through Program from the State of North Dakota			<u>162,278</u>
<i>Pass-Thru Program to the Vocational Rehab</i>			
Sitting Bull Vocational		15.108	<u>407,447</u>
Total Pass-Thru Program to the Vocational Rehab			<u>407,447</u>
Total Pass-through Program			<u>1,607,196</u>
Total U.S. Department of Interior			<u><b>16,925,970</b></u>
<b>U.S. Department of Justice</b>			
Violence Against Women Discretionary Grants for Indian Tribal Governments		16.587	113,018
Public Safety Partnership and Community Policing Grants-COPS Hiring Tribal Resources		16.710	103,912
Public Safety Partnership and Community Policing Grants-COPS Equipment & Training		16.710	5,846
Tribal Youth Program		16.731	116,551
Edward Byrne Memorial Justice Assistance Grant Program -Juvenile Prevention		16.738	6,683
Edward Byrne Memorial Justice Assistance Grant Program -Probation Assistance		16.738	4,377
John R. Justice Prosecutors and Defenders Incentive Act		16.816	81,613
FY15 Adam Walsh SMART		16.750	117,032
SORNA		16.750	9,887
SCRAMX		16.750	1,009
Standing Rock Youth Services JDC		16.731	<u>23,639</u>
Total U.S. Department of Justice			<u><b>583,567</b></u>
<b>U.S. Department of Labor</b>			
WIA/WIOA Youth Activities-WSP Classroom Training		17.259	32,376
WIA/WIOA Youth Activities-WSP Classroom Training		17.259	158,435
WIA/WIOA Youth Activities-WSP Work Exp – Adult		17.259	141,322
WIA/WIOA Youth Activities-WSP Work Exp - Youth		17.259	82,016
WIA/WIOA Youth Activities-WSP Support Services		17.259	9,900
WIA/WIOA Youth Activities-WSP – Admin		17.259	<u>90,486</u>
Total U.S. Department of Labor			<u><b>514,535</b></u>
<b>U.S. Department of Transportation</b>			
<i>Pass-through Program from the U.S. Department of Interior</i>			
Airport Improvement Program		20.106	15,879
Highway Planning and Construction-Road Maintenance – FHY		20.205	194,934
Highway Planning and Construction-Federal Highway Admin.		20.205	5,347
Highway Planning and Construction-Transportation – FHY		20.205	362,659
State and Community Highway Safety-IRR/Traffic Safety		20.600	<u>29,517</u>
Total Pass-through Program from the U.S. Department of Interior			<u>608,336</u>
Total U.S. Department of Transportation			<u><b>608,336</b></u>
<i>Pass-Thru Institute of Library Services</i>			
Sitting Bull College Library		45.311	<u>7,000</u>
Total Pass-Thru Institute of Library Services			<u><b>7,000</b></u>

See accompanying notes to the schedule of expenditures of federal awards.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Expenditures of Federal Awards — continued**  
**For the Year Ended September 30, 2016**

Federal Grantor / Pass-through Grantor / Program Title / Fund Title / Contract Number	Pass-Through Number	Federal CFDA or Other Identifying Number	Federal Expenditures
<b>U.S. Environmental Protection Agency</b>			
Performance Partnership Grants-Environmental Assistance		66.605	\$ 112,469
Performance Partnership Grants-Pesticide Enforcement		66.605	86,013
Leaking Underground Storage Tank Trust Fund Corrective Action Program		66.805	31,094
State and Tribal Response Program Grants		66.817	127,453
Water Pollution Control		66.419	33,807
Kenel Lagoon		66.UNKNOWN	248,429
Clean Air Act		66.296	29,124
Total U.S. Environmental Protection Agency			<u>668,389</u>
<b>U.S. Department of Energy</b>			
EDA/WIND & SOLAR STUDY		81.117	28,050
Total Department of Energy			<u>28,050</u>
<b>U.S. Department of Education</b>			
Special Education_Grants to States		84.027	250,729
Special Education-Grants for Infants and Families		84.181	278,981
Subtotal U.S. Department of Education			<u>529,710</u>
<i>Pass-through Program from the Department of Interior</i>			
BIA Pass-through	610-08325	84.Unknown	10,919
Total Pass-through Program from the Department of Interior			<u>10,919</u>
Total U.S. Department of Education			<u>540,629</u>
<b>U.S. Department of Health and Human Services</b>			
National Family Caregiver Support, Title III, Part E		93.052	32,284
Child Support Enforcement		93.563	708,598
Low-Income Home Energy Assistance		93.568	1,830,635 *
Head Start		93.600	2,935,846 *
Grants to Native Hawaiians		93.047	113,734
National Significance		93.243	880,127
Nutrition Services Incentive Program		93.053	50,799
Foster Care_Title IV-E		93.658	73,167
Child Care and Block Development Block Grant		93.575	429,514
Child Care and Block Development Block Grant		93.575	143,446
Community Services Block Grant		93.569	119,305
Promoting Safe and Stable Families		93.556	19,058
Promoting Safe and Stable Families		93.556	49,369
Subtotal U.S. Department of Health and Human Services			<u>7,385,882</u>
U.S. Department of Health and Human Services - continued			
<i>Pass-through Program from the State of South Dakota</i>			
Special Programs for the Aging_Title III, Part C_Nutrition Services	16-0832-626	93.045	(914)
Total Pass-through Program from the State of South Dakota			<u>(914)</u>
<i>Pass-through Program from the State of North Dakota</i>			
Special Programs for the Aging_Title III, Part C_Nutrition Services	190-09576	93.045	100,367
Public Health Emergency Preparedness	6611 HLH3276-11	93.069	5,874
Block Grants for Prevention and Treatment of Substance Abuse		93.959	51,628
Substance Abuse and Mental Health Services_Projects of Regional and National Significance		93.243	42,443
Total Pass-through Program from the State of North Dakota			<u>200,312</u>
Total Pass-through Program			<u>199,398</u>

See accompanying notes to the schedule of expenditures of federal awards.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Expenditures of Federal Awards — continued**  
**For the Year Ended September 30, 2016**

Federal Grantor / Pass-through Grantor / Program Title / Fund Title / Contract Number	Pass-Through Number	Federal CFDA or Other Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services - continued			
Indian Health Service			
Indian Self-Determination- Diabetes Program		93.237	\$ 435,984
Special Diabetes Program for Indians		93.237	35,193
Indian Self-Determination-Tribal Health Administration		93.441	454,489 *
Indian Self-Determination-Community Health Representative		93.441	440,408 *
Indian Self-Determination-Alcoholism Program		93.441	541,573 *
Indian Self-Determination-Health Education		93.441	54,047 *
Indian Self-Determination-Radiology Services		93.441	118,779 *
Indian Self-Determination-Emergency Room coverage		93.441	100,331 *
Indian Self-Determination-Adolescent Suicide Prevention		93.441	103,096 *
Indian Self-Determination-Ambulance Service		93.441	1,200,416 *
Indian Self-Determination-Environmental Health		93.441	75,481 *
Indian Self-Determination- Youth Wellness/Prevention		93.441	81 *
Indian Self-Determination- Youth Wellness MSP		93.441	39,473 *
Kenel Lagoon		93.445	356,492
Bear Soldier Lagoon		93.445	115,850
SAMHSA		93.243	284,568
Total Indian Health Service			<u>4,356,261</u>
<i>Pass-through Program to the State of North Dakota</i>			
Indian Self-Determination-CDC Tobacco Prevention	G15.510	93.441	27,055 *
Family Preservation		93.586	42,267
Block Grants for Prevention and Treatment of Substance Abuse		93.959	12,346
Total Pass-through Program from the State of North Dakota			<u>81,668</u>
Total U.S. Department of Health and Human Services			<u><b>12,023,209</b></u>
<b>U.S. Department of Homeland Security</b>			
Emergency Management Performance Grants		97.042	12,650
Pre-Disaster Mitigation		97.039	27,900
Emergency Management Performance Grants		97.042	5,626
Homeland Security Preparedness Technical Assistance Program		97.007	22,697
Total U.S. Department of Agriculture			<u><b>68,873</b></u>
Total expenditures of federal awards			<u><b>\$ 35,487,039</b></u>

\* Denotes major program.

See accompanying notes to the schedule of expenditures of federal awards.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2016**

**1) Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes federal awards of the Standing Rock Sioux Tribe Government Services Department. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

**2) Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**3) Federal Award Identification Numbers**

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2016 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two digit federal agency identifier and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier and the word “unknown” were used.

**4) Indirect Cost Rate**

The Department has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**5) Subrecipients**

The Department did not provide federal awards to subrecipients during the year ended September 30, 2016.

**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***

To the Honorable Chairman and Members of the Tribal Council  
Standing Rock Sioux Tribe  
Fort Yates, North Dakota

We have audited, in accordance with the 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, each major fund, and the aggregate remaining fund information of the Government Services Department (the Department) of Standing Rock Sioux Tribe (the "Tribe"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated June 27, 2017, which included disclaimer of opinions on the governmental activities, general fund, streets and road fund, indirect cost funds, federal grant funds, and the aggregate remaining funds. These financial statements also included a qualified opinion on the JTAC funds.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the 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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

Our consideration of internal control 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified 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 schedule of findings and questioned costs, 2016- 001 through 2016-008, to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination or 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 schedule of findings and questioned costs, 2016-009 through 2016-012, to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department 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 determination of financial statement amounts. 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*.

### **The Department's Responses to Findings**

The Department's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Department's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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 result of that testing, and not to provide an opinion on the effectiveness of the Department'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Phoenix, Arizona  
June 27, 2017

Independent Auditor's Report on Compliance for  
Each Major Program and on Internal Control over Compliance Required  
by the Uniform Guidance

To the Honorable Chairman and Members of the Tribal Council  
Standing Rock Sioux Tribe  
Fort Yates, North Dakota

**Report on Compliance for Each Major Federal Program**

We have audited the Standing Rock Sioux Tribe (the "Tribe") Governmental Services Department's (the "Department") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Department's major federal programs for the year ended September 30, 2016. The Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Department's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Department's compliance.

***Basis for Qualified Opinions on Head Start, Indian Self-Determination, Consolidated Tribal Government Program, Garrison Diversion Unit***

As described in the accompanying schedule of findings and questioned costs, the Department did not comply with requirements regarding:

<b>Finding Number</b>	<b>CFDA Number</b>	<b>Program (or Cluster Name)</b>	<b>Compliance Requirement</b>
2016-013	15.021 93.441 15.518	Consolidated Tribal Gov't Program (CTGP) Indian-Self Determination Garrison Diversion Unit	Reporting
2016-014	93.600	Head Start	Matching, Level of Effort, Earmarking
2016-015	15.518	Garrison Diversion Unit	Procurement, Suspension and Debarment
2016-016	15.021	CTGP	Eligibility
2016-021	15.021 93.441 15.518 93.600	CTGP Indian-Self Determination Garrison Diversion Unit Head Start	Equipment and Real Property Management

Compliance with such requirements is necessary, in our opinion, for the Department to comply with the requirements applicable to that program.

***Qualified Opinions on Head Start, Indian Self-Determination, Consolidated Tribal Government Program, Garrison Diversion Unit***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinions paragraph, the Department complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Head Start, Indian Self-Determination, Garrison Diversion Unit, and Consolidated Tribal Government Program for the year ended September 30, 2016.

***Unmodified Opinion on Each of the Other Major Federal Programs (Low-Income Home Energy Assistance (LIHEAP) and Special Supplemental Nutrition Program for Women, Infants, and Children (WIC))***

In our opinion, the Department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2016.



### ***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-017 and 2016-018. Our opinion on each major federal program is not modified with respect to these matters.

The Department's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Department's responses were not subjected to auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Report on Internal Control Over Compliance**

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Department's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-019 through 2016-022 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-023 through 2016-025 to be significant deficiencies.

The Department's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Department's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

**Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*REDW LLC*

Phoenix, Arizona  
June 27, 2017

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2016**

**Section I — Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:

Opinion Unit	Type of Opinion
Governmental activities	Disclaimer
General Fund	Disclaimer
JTAC Permanent Funds	Qualified
Streets and Road Funds	Disclaimer
Indirect Cost Funds	Disclaimer
Federal Grants Fund	Disclaimer
Aggregate Remaining Fund Information	Disclaimer

Internal control over financial reporting:

Material weaknesses identified? Yes

Significant deficiencies identified? Yes

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:

Material weakness identified? Yes

Significant deficiencies identified? Yes

Type of auditor's report issued on compliance  
for major programs:

Program	CFDA Number	Type of Opinion
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	Unmodified
Consolidated Tribal Government Program	15.021	Qualified

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section I — Summary of Auditor's Results — continued

Program	CFDA Number	Type of Opinion
Garrison Diversion Unit	15.518	Qualified
Indian Self-Determination	93.441	Qualified
Low-Income Home Energy Assistance (LIHEAP)	93.568	Unmodified
Head Start	93.600	Qualified

Any audit findings disclosed that are required  
to be reported in accordance with 2 CFR 200.516(a)? Yes

Identification of major programs:

Program	CFDA Number
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557
Consolidated Tribal Government Program	15.021
Garrison Diversion Unit	15.518
Indian Self-Determination	93.441
Low-Income Home Energy Assistance (LIHEAP)	93.568
Head Start	93.600

Dollar threshold used to distinguish  
between type A and type B programs: \$1,064,611

Auditee qualified as low-risk auditee? No

**Other Matters**

Auditee's Summary Schedule of Prior Audit Findings to be reported in accordance  
with 2 CFR 200.511(b)? Yes

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

**Section II — Financial Statement Findings**

**2016-001 — Inadequate Records and Accounting for Nonreciprocal Interfund Activity (Repeat Finding of Item 2015-001) (Material Weakness)**

---

*Criteria:*

1. The purpose, nature and timing of expected repayment of interfund activity should be fully documented and retained.
2. Interfund activity not expected to be repaid in a reasonable time should be recorded as interfund transfers.
3. Interfund activity (due from/to other funds) needs to be reconciled on a regular basis.

*Condition:*

1. A significant number of interfunds (due from/to other funds) are not substantiated as to purpose, nature and timing of repayment.
2. A significant number of interfunds (due from/to other funds) have been unchanged and not repaid in many fiscal years. Thus these interfunds should be reclassified as interfund transfers.
3. Interfund activity (due from/to other funds) was out of balance by \$674,251 at fiscal year-end.

*Cause:* The previous tribal financial management team had not implemented measures to ensure the proper accounting and related documentation be maintained for nonreciprocal interfund activity.

*Effect:* The interfunds as stated on the year-end trial balance are not substantiated, reconciled and/or classified correctly (i.e., interfund transfers).

*Auditor's Recommendation:* Interfund policies and procedures should developed and implemented requiring the following:

1. Documentation regarding the purpose, nature and expected repayment of interfunds should be maintained.
2. Regular reconciliation of the interfunds (due from/to other funds).
3. Annual review of interfunds to identify unchanged accounts for reclassification to interfund transfers.

*Management's Response:* The Tribe and the Funding Agencies recognize interfund discrepancies exist prior to FY16. The Tribe has requested technical assistance from the Funding Agencies but to date, have not received any input. Fiscal changes were made in mid-FY15 that established individual bank accounts per program and has significantly reduced interfund errors.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section II — Financial Statement Findings — continued

**2016-002 — Inadequate/Unsupported Grant Analysis Accounting (Repeat Finding of Item 2015-003) (Material Weakness)**

---

*Criteria:* Program intergovernmental receivables or deferred revenues should be recognized or adjusted based on current period program drawdowns and qualifying program expenditures at year-end. In addition, the resulting supporting documentation should be retained.

*Condition:* The supporting documentation for intergovernmental receivables and deferred revenue balances carried over from prior fiscal years was not retained and balances from years past cannot be determined to be true balances.

*Cause:* In prior years there were no policies and procedures implemented to ensure that grant analysis was being performed at fiscal year-end and that the appropriate supporting documentation was being maintained.

*Effect:* The nonperformance of grant analysis accounting in prior years and lack of underlying supporting documentation for intergovernmental receivables and deferred revenues carried over from prior years creates a situation whereby the aforementioned accounts are not valued or supported properly.

*Auditor's Recommendation:* We recommend that the Tribe continue to work with federal agencies to determine an agreeable amount as to record as a true grant receivable or deferred revenue.

*Management Response:* In FY16, an annual analysis was completed for each grant and will continue moving forward. However, the historical grants receivable/deferred revenue is suspect as grants were not being closed on an annual basis.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section II — Financial Statement Findings — continued

**2016-003 — Inadequate Records and Accounting for Capital Assets (Repeat Finding of Item 2015-006) (Material Weakness)**

---

*Criteria:* A complete and current capital asset listing should be maintained and reconciled to the trial balance. The capital asset listing should contain the following:

- Description (including serial number or other identification number);
- Source;
- Who holds title;
- Acquisition date and cost;
- Percentage of federal participation in cost;
- Location and condition.

*Condition:* The Tribe could not provide the auditor with a complete and current capital asset listing. In addition, based on review of the capital asset listing provided it was noted that the listing did not include tag or other asset identification number nor the percentage of federal participation in cost.

*Cause:* Policies and procedures have not been developed and implemented requiring the maintenance of a complete and current capital asset listing with all of the relevant components.

*Effect:* The lack of maintaining a complete and current capital asset listing creates the situation that material misstatements would not be detected in a timely manner.

*Auditor's Recommendation:* Policies and procedure should be developed and implemented requiring the maintenance of a complete and current capital asset listing with all of the relevant components.

*Management Response:* Staff has been hired for the Property and Receiving Department. Progress is being made to track and record new property as well as existing property and the details for each. Asset software is being evaluated along with a barcoding system.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section II — Financial Statement Findings — continued

**2016-004 — Inadequate Records and Accounting for Depreciation Expense (Repeat Finding of Item 2015-007) (Material Weakness)**

---

*Criteria:* Capital assets should be depreciated over their estimated useful lives unless they are inexhaustible or are infrastructure assets reported using the modified approach. Inexhaustible capital assets such as land and land improvements should not be depreciated. Depreciation expense for capital assets that can specifically be identified with a function should be included in its direct expenses. Depreciation expense for “shared” capital assets (for example, a facility that houses the police department, the building inspection office, and the water utility office) should be ratably included in the direct expenses of the appropriate functions. Depreciation expense for capital assets such as a city hall or a state office building that essentially serves all functions is not required to be included in the direct expenses of the various functions. This depreciation expense may be included as a separate line in the statement of activities or as part of the “general government” (or its counterpart) function (and in either case, may be allocated to other functions. If a government uses a separate line in the statement of activities to report unallocated depreciation expense, it should clearly indicate on the face of the statement that this line item excludes direct depreciation expenses of the various programs.

*Condition:* The Tribe has not prepared a depreciation listing for its capital assets.

*Cause:* Policies and procedures have not been developed and implemented requiring the maintenance of a complete and current depreciation listing.

*Effect:* The lack of maintaining a complete and current depreciation listing creates the situation that material misstatements would not be detected in a timely manner.

*Auditor’s Recommendation:* Policies and procedure should be developed and implemented requiring the maintenance of a complete and current depreciation listing with all of the relevant components.

*Management Response:* Staff has been hired for the Property and Receiving Department. Progress is being made to track and record new property as well as existing property and the details for each. Asset software is being evaluated along with a barcoding system. Once implemented, depreciation can be accurately calculated.



**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section II — Financial Statement Findings — continued

**2016-005 — Lack of Physical Inventory of Capital Assets (Repeat Finding of Item 2015-008) (Material Weakness)**

---

*Criteria:* The capital asset records should be sufficiently detailed to allow management to take a physical inventory of recorded capital assets. Federal regulations require that such annual inventory be taken and reconciled with detailed capital asset records and the general ledger control totals at least once every two years.

*Condition:* An adequate physical inventory that includes the updating of the Tribe's capital assets listing has not been completed within at least the last two years.

*Cause:* Policies and procedures have not been developed and implemented requiring that a physical inventory be taken and reconciled with detailed capital asset records and the general ledger control totals at least once every two years.

*Effect:* The lack of performing an annual physical inventory of capital assets creates the situation that material misstatements would not be detected in a timely manner.

*Auditor's Recommendation:* Complete a government-wide physical inventory count of detailed capital assets at least every two years. Physical inventory count documentation should be reconciled to the Tribe's capital asset listing and the general ledger.

*Management Response:* Staff has been hired for the Property and Receiving Department. Progress is being made to track and record new property as well as existing property and the details for each. Asset software is being evaluated along with a barcoding system. Once implemented, depreciation can be accurately calculated.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section II — Financial Statement Findings — continued

**2016-006 — Reconciliation of Outstanding Debt Instruments to Accounting Records Not Performed (Repeat Finding of Item 2015-009) (Material Weakness)**

---

*Criteria:* A reconciliation of outstanding debt instruments to the general ledger, subsidiary ledger and other accounting records should be prepared and reviewed timely.

*Condition:* A reconciliation of outstanding debt instruments to the general ledger, subsidiary ledger and other accounting records was not performed during the fiscal year. As a result, the following to significant items were discovered:

1. The amount on the trial balance for debt was \$4,511,759 more than the total confirmed loan balances.

*Cause:* Policies and procedures have not been developed and implemented requiring the reconciliation of outstanding debt instruments to the general ledger, subsidiary ledger and other accounting records to be prepared and reviewed timely.

*Effect:* The lack of reconciling outstanding debt instruments to the general ledger, subsidiary ledger and other accounting records creates the situation that material misstatements would not be detected.

*Auditor's Recommendation:* Policies and procedures should be developed and implemented requiring the reconciliation of outstanding debt instruments to the general ledger, subsidiary ledger and other accounting records be prepared and reviewed in a timely manner.

*Management Response:* Staff has been hired for the Property and Receiving Department. Progress is being made to track and record new property as well as existing property and the details for each. Asset software is being evaluated along with a barcoding system. Once implemented, depreciation can be accurately calculated.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section II — Financial Statement Findings — continued

**2016-007 — Financial Statements not Prepared by Management (Repeat Finding of Item 2015-010) (Material Weakness)**

---

*Criteria:* Internal controls over financial reporting include the ability to timely reconcile general ledger accounts and produce accurate and timely financial statements, including the timely adjustment and agreement of the general ledger balances to audited balances.

*Condition:* Currently, the Department is unable to provide accurate and timely financial statements.

*Cause:* Detailed capital assets, grants receivables, unearned revenue and interfund receivables/payables records have not been maintained and certain prior-year records and supporting data were not available for audit.

*Effect:* Due to the severity of lack of accounting records and/or reconciliations related to the prior year balances for the aforementioned items, the Department is unable to produce timely and accurate financial statements. The Department has made tremendous strides in accounting for federal grant activity for fiscal year 2015 and fiscal year 2016 but the prior fiscal years are still inadequate.

*Auditor's Recommendation:* An action plan needs to be developed and implemented to assist the Department in reconciling and substantiating the prior year balances in the areas of capital assets, grants receivables, unearned revenue and interfund receivables/payables in a cost-effective manner.

*Management Response:* The SRST is working with the federal funding agencies to determine amounts that can be mutually agreed on to close out the grant receivable and unearned revenue inflated numbers, which will produce accurate balances for accurate and timely financial statements. Staff has been hired to work on capital assets in FY17. In addition, finance is working with each department to determine the correct due to/from balances.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section II — Financial Statement Findings — continued

**2016-008 — Unrecorded Activity for Cash Equivalents/Investment Trust Accounts  
(Repeat Finding of Item 2015-012) (Material Weakness)**

---

*Criteria:* Third party statements for cash equivalent accounts (certificates of deposit, money market accounts) and investment trust accounts (BIA) should be reconciled to the subsidiary ledger and general ledger accounts. In addition investment activity should be reviewed at regular intervals by an appropriate level of management.

*Condition:* Certificate of deposit, money market and investment trust accounts third party statements were not reconciled to the subsidiary ledger and general ledger accounts during the fiscal year. Thus, we identified the following significant matters which required audit adjustments:

1. Investment activity for investments held in trust in the amount of \$3,148,170 was not recorded in the general ledger;
2. The activity of a savings account balance being transferred to an investment of \$744,897 was not recorded in the general ledger.

*Cause:* Policies and procedures have not been developed and implemented requiring the timely reconciliation of third party cash equivalent account and investment trust fund statements to the subsidiary ledger and general ledger accounts.

*Effect:* The lack of reconciling third party cash equivalent and investment trust fund statements to the general ledger, subsidiary ledger and other accounting records creates the situation that material misstatements would not be detected.

*Auditor's Recommendation:* We recommend that third party statements for cash equivalent type accounts (certificates of deposit, money market accounts) and investment trust funds (BIA) be reconciled to the subsidiary ledger and general ledger accounts in a timely manner. In addition investment activity should be reviewed at regular intervals by an appropriate level of management.

*Management Response:* Finance is developing policies and procedures for third party statements for cash and cash equivalents.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section II — Financial Statement Findings — continued

**2016-009 — Segregation of Duties – Payroll (Repeat Finding of Item 2015-014)**  
**(Significant Deficiency)**

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*Criteria:* A fundamental concept in a good system of internal control is a proper segregation of duties. Without adequate segregation of duties, the risk of an error or fraud occurring and going undetected increases. The basic premise is that no one employee should responsibility to all phases of a transaction. In situations where segregation of duties is not feasible, a higher level of management oversight is appropriate.

*Condition:* At present, there is a lack of segregation of duties within the payroll department, the Payroll Supervisor maintains the payroll master file, including making changes to it for pay rate changes without approval; adds and deletes employees.

*Cause:* Policies and procedures have not been developed and implemented prohibiting the practice that one employee have responsibilities to all phases of a transaction.

*Effect:* The lack of segregation of incompatible duties increases the possibility that errors and improper activities would not be detected.

*Auditor's Recommendation:* Policies and procedures should be developed and implemented prohibiting the practice that one employee have responsibilities to all phases of a transaction.

*Management Response:* Payroll job descriptions are being updated to separate duties, which will create checks and balances for adding/deleting employees as well as pay rate changes.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section II — Financial Statement Findings — continued

**2016-010 — Disjointed Payroll System — (Repeat Finding of Item 2015-015)**  
**(Significant Deficiency)**

---

*Criteria:* The payroll system and finance system should be integrated to simplify tasks such as general ledger and accounts payable posting of benefits, payments, and projects.

*Condition:* The Tribe's current payroll system is disjointed from the finance system which creates the following issues:

1. Manual entries are required to post payroll to the finance system which is inefficient and increases the possibility of errors;
2. More opportunities for unaccounted expenses;
3. Maintenance of a clear audit trail becomes more difficult;

*Cause:* The Tribe has not analyzed the advantages/disadvantages of integrating the payroll system with the finance system.

*Effect:* Significant amount of manual entries to record payroll transactions to the finance system is required which increases the work effort. In addition, the possibility of errors is increased.

*Auditor's Recommendation:* We recommend that the Tribe connect its existing payroll system and finance system with a software interface. The interfacing of these systems will save the finance department time. This time could be spent better elsewhere, such as analyzing financial data, or working on other projects.

*Management Response:* Payroll is evaluating third-party payroll providers that can directly interface with the Tribe's accounting software.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section II — Financial Statement Findings — continued

**2016-011 — Update the Accounting Procedures Manual and Communicate the Changes (Repeat Finding of Item 2015-016) (Significant Deficiency)**

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*Criteria:* The accounting procedures manual should be updated for procedures in actual use and/or best business practices in a timely manner.

*Condition:* We noted that the existing accounting procedures manual does not reflect the procedures actually in use because it has not been updated as changes were made in procedures. Any changes in the accounting procedures manual, as well as existing internal controls, should be documented and communicated on a regular basis to all affected persons. Internal controls cannot work unless employees are aware of them.

*Cause:* The Tribe's "Financial Management Policies and Procedures Manual" was last revised on October 1, 1994.

*Effect:* The lack of an updated accounting procedures manual increases the likelihood of the following:

1. Misunderstandings;
2. Errors;
3. Inefficient or wasted efforts;
4. Duplicated or omitted procedures;
5. Inaccurate or untimely accounting records.

*Auditor's Recommendation:* We recommend that the Tribe update its financial management policies and procedures manual to reflect procedures in actual use and/or best business practices in a timely manner. In addition, these changes to be communicated to the employees in an effective manner.

*Management Response:* The SRST Financial Policies and Procedures were written in 1983 and last revised in 1994. Finance is soliciting proposals to update the manual.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section II — Financial Statement Findings — continued

**2016-012 — Information Technology (Significant Deficiency)**

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*Criteria:* Information technology (IT), including systems and infrastructure, are essential and integral to the efficiency of the Department's operations. IT internal controls are essential to maintain the confidentiality, integrity and availability of data. IT internal controls are as important as the internal controls that surround the input of financial transactions into the Department's general ledger.

*Condition:* During our audit, we identified that the Department does not have formal policies and procedures written for risk management, business continuity, strategy, or reviews of general IT controls. It was also noted that servers are stored in an unsecured area leaving access unrestricted.

*Cause:* Policies and procedures have not been developed and implemented requiring the Department to have risk management, business continuity, strategy, or reviews of IT controls. Also due to an inadequate HVAC system in the server room (which cannot maintain a safe operating temperature), access to the server room is unrestricted.

*Effect:* The lack of performing any of the above procedures leaves the Department susceptible to data breaches, losing financial and program information, and leaving the servers susceptible to tampering.

*Auditor's Recommendation:* The Department should consider identifying a person or group to be in charge of IT governance. Once identified, this person or group should perform an IT risk assessment and draft formal policies and procedures for general IT functions. These procedures should then be approved by the Chief Financial Officer and/or the Tribal Council.

*Management Response:* The Information Technology Director is collaborating with the finance department in order to create IT policies & procedures including; General Information Technology policies and procedures, physical/key access to buildings/restricted areas, social media and surveillance policies. The finance department is addressing the outdated financial policies and procedures so in the best interest of the tribe the departments will work together to not only keep costs down but to have policies and procedures that are not disjointed but fluid. The new process and procedures could be in place as soon as FY17 but no later than FY18.



**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

**Section III — Federal Award Findings and Questioned Costs**

**2016-013 — Reporting (Repeat Finding of Item 2015-017)**

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Funding agency:	Interior
Title:	Consolidated Tribal Government Program (CTGP)
CFDA number:	15.021
Award number:	A13AV00275
Award period:	10/1/2015 – 9/30/2016
Funding agency:	Health and Human Services
Title:	Indian Self-Determination
CFDA number:	93.441
Award number:	HHS-I-241-2015-00003
Award period:	10/01/2014- 9/30/2017
Funding agency:	Department of the Interior
Title:	Garrison Diversion Unit
CFDA number:	15.518
Award number:	R92AV60012 & 6-FC-60-07010
Award period:	09/30/2015- 10/01/2017

*Criteria:* 2 CFR 200 3.1-L-4 states that when reporting requirements indicate the need for federal financial reports to be submitted they must be complete, accurate, and prepared in accordance with the required accounting basis. Amounts reported on the federal financial reports must support the financial statements and the schedule of expenditures of federal awards and must agree with the accounting records.

*Condition:* The following are descriptions of reporting findings for each individual program:

- For CTGP, the SF-425 year-end report submitted to the Department of the Interior had expenditures presented \$920,893 less than reported on the SEFA. Additionally, the submitted second quarter SF-425 did not contain authorized signatures, showing that it had been properly reviewed.
- For Indian Self-Determination, the program failed to submit its 4<sup>th</sup> quarter SF-425 report to the Department of Health and Human Services.
- For the Garrison Diversion Unit, the program did not submit any quarterly SF-425 reports for the municipal rural & industrial (MR&I) program and the operations and maintenance programs for the first, third and fourth quarters of fiscal year 2016. The cannonball irrigation program did not submit any SF-425 reports during the fiscal year and there were no program performance reports submitted for fiscal year 2016.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section III — Federal Award Findings and Questioned Costs — continued

2016-013 — Reporting (Repeat Finding of Item 2015-017) — continued

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*Questioned Costs:* Not applicable

*Context:* The federal financial reports were incorrect, incomplete, or not filed for the CTGP, Indian Self-Determination, and Garrison Diversion Unit programs.

*Cause:* Policies and procedures have not been developed and implemented requiring that all federal financial status reports be reviewed for timeliness and accuracy to the trial balance. For the Garrison program, the Bureau of Reclamation (which is under the Department of Interior) was not accepting SF-425 reports from the Department during most of fiscal year 2016.

*Effect:* The aforementioned programs are not in compliance with federal program reporting requirements.

*Auditor's Recommendations:* Policies and procedure should be developed and implemented ensuring that all federal financial status reports be submitted timely and that the reports agree to the underlying program trial balance.

*Management Response:* Finance has implemented a single financial point-of-contact and is creating master folders for each grant.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section III — Federal Award Findings and Questioned Costs — continued

**2016-014 — Matching, Level of Effort, Earmarking (Repeat Finding of Item 2015-018)**

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*Federal program information:*

Funding agency:	Health and Human Services
Title:	Head Start
CFDA number:	93.600
Award number:	90CI8015-47-03
Award period:	01/01/2016-12/31/2016

*Criteria:* According to 45 CFR 1301.20 and 1301.21, “grantees are required to contribute at least 20 percent of the costs of the program through cash or in-kind contributions, unless a lesser amount has been approved by ACF.” The Standing Rock Sioux Tribe did receive a waiver to reduce the percentage to 11.21% in FY 2016. Additionally, 42 USC 9835(d) states that “For Fiscal Year 2009 and thereafter, not less than 10 percent of the total number of children actually enrolled by each Head Start Agency and each delegate agency must be children with disabilities determined to be eligible for special education and related services unless a waiver has been approved by ACF.”

*Condition:* The following items were noted with respect to the Head Start program’s match and earmarking requirements:

1. The Head Start program did not monitor its matching requirement and therefore did not meet the 11.21% requirement.

*Questioned Costs:* Not applicable

*Context:* The Head Start program failed to meet its matching requirement by \$96,326. Also, Head Start failed to meet its targeted earmarking requirement by 3%.

*Cause:* Policies and procedures have not been developed and implemented requiring effective monitoring of matching requirements and the targeted earmarking requirement.

*Effect:* The program is not in compliance with the matching requirements and targeted earmarking requirement.

*Auditor’s Recommendation:* Policies and procedures should be developed and implemented requiring the effective monitoring of the matching and targeted earmarking requirements.

*Management Response:* The Head Start program will be requesting a higher waiver to reduce the amount of the matching required, and therefore will be in compliance in the next fiscal year.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section III — Federal Award Findings and Questioned Costs — continued

**2016-015 — Procurement, Suspension and Debarment – Bid Documentation**  
**(Repeat Finding of Item 2015-020)**

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*Federal program information:*

Funding agency:	Department of the Interior
Title:	Garrison Diversion Unit
CFDA number:	15.518
Award number:	R92AV60012 & 6-FC-60-07010
Award period:	09/30/2015- 10/01/2017

*Criteria:* Requirements for procurement are contained in the Uniform Guidance, federal awarding agency regulations, and the terms of the federal award. Local governments and Indian tribal governments may use their own procurement procedures provided that they conform to applicable federal laws and regulations and the standards identified in the Uniform Guidance. Procurement transactions should be conducted in a manner providing full and open competition in accordance with Tribal procurement standards. The Tribe's procurement policies and procedures require advertising for written bids required for purchases over \$5,000.

*Condition:* Documentation was not available to verify that there was any advertising for at least three written bids were obtained for four different projects tested.

*Context:* The expenditures with no supporting bid documentation, totaled \$4,117,230.

*Questioned Costs:* None.

*Cause:* Policies and procedures to ensure that expenditures are authorized and made in accordance with the procurement policies were not followed.

*Effect:* The program did not assure full and open price competition for the procurement identified above and is not in compliance with procurement.

*Auditor's Recommendation:* Established procurement policies and procedures should be enforced requiring bid documentation be retained.

*Management Response:* This project was a warranty in which the contractors repaired damages and their retainage fee was held before the checklist was completed.

Approved projects are advertised for three or more sealed bids.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section III — Federal Award Findings and Questioned Costs — continued

**2016-016 — Eligibility**

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*Federal program information:*

Funding agency:	Department of Interior
Title:	Consolidated Tribal Government Program (CTGP)
CFDA number:	15.021
Award number:	A13AV00275
Award period:	10/01/2015-09/30/2016

*Criteria:* The Child Protection Services Program determines their own eligibility of foster families receiving funding for children. According to the Foster Parent Job Description, qualifications include, “Adequate physical and mental health as certified by a physician, an adequate income for support of own family, and the programs must do a verification to ensure that all potential foster families meet those requirements.”

*Condition:* Income was not verified and a budget was not completed to determine if one foster family could afford to care for children for two out of the two families tested. One family was caring for 6 children when they only had the capacity to care for 4 in the screening process. A proper background check was not done on the family tested and they were not properly licensed for all months of the year.

*Context:* We selected two families to test from a population of five families.

*Questioned Costs:* None

*Cause:* Policies and procedures ensuring a proper vetting process to determine eligibility of foster families are not in place.

*Effect:* The program is not in compliance with the eligibility requirements for the Child Welfare Services Program which is a part of the CTGP program.

*Auditor’s Recommendation:* We recommend that the Program implement policies and procedures to ensure that all potential foster families are properly verified and vetted and that a budget is completed for all families.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section III — Federal Award Findings and Questioned Costs — continued

2016-016 — Eligibility — continued

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*Management Response:* All foster homes go through the foster care developer for licensing. The proper paperwork that is turned in to the Foster Care Developer is then turned over to the State of North Dakota licensing agency for approval. There is currently Foster Care policies and procedures for this section of the Child Protection Services program. This may not be in the individual foster family files but there are policies and procedures. Now once a family is licensed they received IV-E dollars if the child is IV-E eligible and this family will receive a subsidy to care for that child or children in their home. If the child is not eligible for IV-E, then they will receive BIA 638 dollars which is used to subsidize the family income for extra child/children in their home. Foster care licensing process doesn't look at the family's income to become licensed. Hence why they have a license is to get that extra subsidy to pay for that child/children. There are times when a tribal licensed foster home asked to take a certain child and knows that they are at their max # of children they are licensed for we can redo their licensed to accommodate the extra child in their home. For example; family home licensed for 3 children and they are wanting to have a child or if we have a child who is a sibling to that child already in placement we can change their licensed to be at 4 children instead of that 3 children.

Background check are done all potential foster homes as well as finger prints.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section III — Federal Award Findings and Questioned Costs — continued

**2016-017 — Special Tests and Provisions—Vendor Monitor Requirement (Repeat Finding of Item 2015-021)**

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*Federal program information:*

Funding agency:	Agriculture Food and Nutrition Service
Title:	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
CFDA number:	10.557
Award number:	90CI8015/46
Award period:	9/27/2013-9/30/2016

*Criteria:* Per Uniform Guidance compliance supplement, 4.10.557-20, WIC is responsible for conducting compliance investigations, which consist of inventory audits and/or compliance buys, of a minimum of 5 percent of vendors authorized as of October 1 of each year.

*Condition:* WIC failed to perform a compliance investigation in fiscal year 2016 which results in the Program not being in compliance with the vendor monitor requirement.

*Context:* WIC has not conducted a compliance investigation since 2014 and they failed to conduct one in fiscal year 2016.

*Questioned Costs:* None

*Cause:* The program failed to perform a compliance investigation in the current fiscal year.

*Effect:* The Program is not in compliance with the vendor monitor requirement.

*Auditor's Recommendation:* We recommend that the Program schedule a yearly compliance audit date and set up a reminder to complete it and have management ensure that it is completed.

*Management Response:* Vendor monitoring staff was hired at the beginning of FY17.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section III — Federal Award Findings and Questioned Costs — continued

**2016-018 — Special Test and Provisions – Character Investigations (Repeat Finding of Item 2015-019)**

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*Federal program information:*

Funding agency:	Health and Human Services
Title:	Indian Self-Determination
CFDA number:	93.441
Award number:	HHS-I-241-2015-00003
Award period:	10/01/2014- 9/30/2017

Funding agency:	Department of Interior
Title:	Consolidated Tribal Government Program (CTGP)
CFDA number:	15.021
Award number:	A13AV00275
Award period:	10/01/2015-09/30/2016

*Criteria:* The Indian Child Protection and Family Violence Prevention Act (Act) (25 USC section 3201 et seq.) requires Indian tribes and tribal organizations that receive funds under the ISDEAA or the Tribally Controlled Schools Act to conduct an investigation of the character of each individual who is employed or is being considered for employment by such Indian tribe or tribal organization in a position that involves regular contact with, or control over, Indian children.

*Condition:* Documentation evidencing character background investigations was not maintained for some employees.

*Context:* The number of deviations noted by program are as follows:

1. Indian Self-Determination – 6 of 8 employees selected for testing did not have evidence of the required character background investigations being performed;
2. Consolidated Tribal Government Program – 3 of 5 employee selected for testing did not have evidence of the required character background investigation being performed. The adjudicating officials performing background investigations for this program had not been subjected to a federal background investigation as required.

*Cause:* Background investigations began to be conducted on Tribal employees during 2006. Background investigations were not performed on individuals who began working at the Tribe before 2006.



**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section III — Federal Award Findings and Questioned Costs — continued

2016-018 — Special Tests and Provisions – Character Investigations (Repeat Finding of Item 2015-019) — continued

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*Effect:* The programs are not in compliance with the requirement that character background investigations be performed for personnel who have regular contact with Indian children.

*Auditor's Recommendation:* Established policies and procedures should be enforced requiring that character background investigations be performed for personnel who have regular contact with Indian children.

*Management Response:* The Human Resource Department is working to enhance the character provision of the background investigations beginning with meeting with a Personnel Security Expert on implementing a more efficient process to address the character investigation component.

Our first step is to update the position designations to ensure positions are properly designated. In addition, all HR staff have undergone a federal criminal history check, and are scheduled to complete courses in basic and advanced Adjudication and Investigations in the very near future.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section III — Federal Award Findings and Questioned Costs — continued

**2016-019 — Inadequate Records and Accounting for Nonreciprocal Interfund Activity (Repeat Finding of Item 2015-022) (Material Weakness)**

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*Federal program information:*

Funding agency:	Health and Human Services
Title:	Low- Income Home Energy Assistance (LIHEAP)
CFDA number:	93.568
Award number:	2015G992201
Award period:	10/01/2014-9/30/2016
Funding agency:	Health and Human Services
Title:	Indian Self-Determination
CFDA number:	93.441
Award number:	HHS-I-241-2015-00003
Award period:	10/01/2014- 9/30/2017
Funding agency:	Agriculture Food and Nutrition Service
Title:	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
CFDA number:	10.557
Award number:	90CI8015/46
Award period:	9/27/2013-9/30/2016
Funding agency:	Department of the Interior
Title:	Consolidated Tribal Government Program
CFDA number:	15.021
Award number:	A13AV00275
Award period:	10/01/2015-09/30/2016
Funding agency:	Department of the Interior
Title:	Garrison Diversion Unit
CFDA number:	15.518
Award number:	R92AV60012 & 6-FC-60-07010
Award period:	9/30/2015-10/01/2017
Funding agency:	Health and Human Services
Title:	Head Start
CFDA number:	93.600
Award number:	90CI8015/46
Award period:	01/01/2016-12/31/2016

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section III — Federal Award Findings and Questioned Costs — continued

2016-019 — Inadequate Records and Accounting for Nonreciprocal Interfund Activity  
(Repeat Finding of Item 2015-022) (Material Weakness) — continued

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*Criteria:*

1. The purpose, nature and timing of expected repayment of interfund activity should be fully documented and retained;
2. Interfund activity not expected to be repaid in a reasonable time should be recorded as interfund transfers;
3. Interfund activity (due from/to other funds) needs to be reconciled on a regular basis.

*Condition:*

1. A significant number of interfunds (due from/to other funds) are not substantiated as to purpose, nature and timing of repayment.
2. A significant number of interfunds (due from/to other funds) have been unchanged and not repaid in many fiscal years. Thus these interfunds should be reclassified as interfund transfers.
3. Interfund activity (due from/to other funds) was out of balance by \$674,251 at fiscal year-end.

*Cause:* The previous tribal financial management team had not implemented measures to ensure the proper accounting and related documentation be maintained for nonreciprocal interfund activity.

*Effect:* The interfunds as stated on the year-end trial balance are not substantiated, reconciled and/or classified correctly (i.e. interfund transfers).

*Auditor's Recommendation:*

Interfund policies and procedures should developed and implemented requiring the following:

1. Documentation regarding the purpose, nature and expected repayment of interfunds should be maintained;
2. Regular reconciliation of the interfunds (due from/to other funds);
3. Annual review of interfunds to identify unchanged accounts for reclassification to interfund transfers.

*Management Response:* The Tribe and the Funding Agencies recognize interfund discrepancies exist prior to FY16. The Tribe has requested technical assistance from the Funding Agencies but to date, have not received any input. Fiscal changes were made in mid-FY15 that established individual bank accounts per program and has significantly reduced interfund errors.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section III — Federal Award Findings and Questioned Costs — continued

**2016-020 — Inadequate/Unsupported Grant Analysis Accounting (Repeat Finding of Item 2015-024) (Material Weakness)**

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*Federal program information:*

Funding agency:	Health and Human Services
Title:	Low- Income Home Energy Assistance (LIHEAP)
CFDA number:	93.568
Award number:	2015G992201
Award period:	10/01/2014-9/30/2016
Funding agency:	Health and Human Services
Title:	Indian Self-Determination
CFDA number:	93.441
Award number:	HHS-I-241-2015-00003
Award period:	10/01/2014- 9/30/2017
Funding agency:	Agriculture Food and Nutrition Service
Title:	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
CFDA number:	10.557
Award number:	90CI8015/46
Award period:	9/27/2013-9/30/2016
Funding agency:	Department of the Interior
Title:	Consolidated Tribal Government Program
CFDA number:	15.021
Award number:	A13AV00275
Award period:	10/01/2015-09/30/2016
Funding agency:	Department of the Interior
Title:	Garrison Diversion Unit
CFDA number:	15.518
Award number:	R92AV60012 & 6-FC-60-07010
Award period:	9/30/2015-10/01/2017
Funding agency:	Health and Human Services
Title:	Head Start
CFDA number:	93.600
Award number:	90CI8015/46
Award period:	01/01/2016-12/31/2016

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section III — Federal Award Findings and Questioned Costs — continued

2016-020 — Inadequate/Unsupported Grant Analysis Accounting (Repeat Finding of Item 2015-024) (Material Weakness) — continued

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*Criteria:* Program intergovernmental receivables or deferred revenues should be recognized or adjusted based on current period program drawdowns and qualifying program expenditures at year-end. In addition, the resulting supporting documentation should be retained.

*Condition:* The supporting documentation for intergovernmental receivables and deferred revenue balances carried over from prior fiscal years was not retained and balances from years past cannot be determined to be true balances.

*Cause:* In prior years there were no policies and procedures implemented to ensure that grant analysis was being performed at fiscal year-end and that the appropriate supporting documentation was being maintained.

*Effect:* The nonperformance of grant analysis accounting in prior years and lack of underlying supporting documentation for intergovernmental receivables and deferred revenues carried over from prior years creates a situation whereby the aforementioned accounts are not valued or supported properly.

*Auditor's Recommendation:* We recommend that the Tribe continue to work with federal agencies to determine an agreeable amount as to record as a true grant receivable or deferred revenue.

*Management Response:* In FY16, an annual analysis was completed for each grant and will continue moving forward. However, the historical grants receivable/deferred revenue is suspect as grants were not being closed on an annual basis.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section III — Federal Award Findings and Questioned Costs — continued

**2016-021 — Inadequate Records and Accounting for Capital Assets (Repeat Finding of Item 2015-027) (Material Weakness)**

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*Federal program information:*

Funding agency:	Department of the Interior
Title:	Consolidated Tribal Government Program
CFDA number:	15.021
Award number:	A13AV00275
Award period:	10/01/2015-09/30/2016
Funding agency:	Health and Human Services
Title:	Indian Self-Determination
CFDA number:	93.441
Award number:	HHS-I-241-2015-00003
Award period:	10/01/2014- 9/30/2017
Funding agency:	Department of the Interior
Title:	Garrison Diversion Unit
CFDA number:	15.518
Award number:	R92AV60012 & 6-FC-60-07010
Award period:	9/30/2015-10/01/2017
Funding agency:	Health and Human Services
Title:	Head Start
CFDA number:	93.600
Award number:	90CI8015/46
Award period:	01/01/2016-12/31/2016

*Criteria:* A complete and current capital asset listing should be maintained and reconciled to the trial balance. The capital asset listing should contain the following:

- Description (including serial number or other identification number);
- Source;
- Who holds title;
- Acquisition date and cost;
- Percentage of Federal participation in cost;
- Location and condition.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section III — Federal Award Findings and Questioned Costs — continued

2016-021 — Inadequate Records and Accounting for Capital Assets (Repeat Finding of Item 2015-027) (Material Weakness) — continued

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*Condition:* The Tribe could not provide the auditor with a complete and current capital asset listing. In addition, based on review of the capital asset listing provided it was noted that the listing did not include tag or other asset identification number nor the percentage of federal participation in cost.

*Cause:* Policies and procedures have not been developed and implemented requiring the maintenance of a complete and current capital asset listing with all of the relevant components.

*Effect:* The lack of maintaining a complete and current capital asset listing creates the situation that material misstatements would not be detected in a timely manner.

*Auditor's Recommendation:* Policies and procedure should be developed and implemented requiring the maintenance of a complete and current capital asset listing with all of the relevant components.

*Management Response:* Staff has been hired for the Property and Receiving Department. Progress is being made to track and record new property as well as existing property and the details for each. Asset software is being evaluated along with a barcoding system.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section III — Federal Award Findings and Questioned Costs — continued

**2016-022 — Inadequate Records and Accounting for Depreciation Expense (Repeat Finding of Item 2015-028) (Material Weakness)**

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*Federal program information:*

Funding agency:	Health and Human Services
Title:	Indian Self-Determination
CFDA number:	93.441
Award number:	HHS-I-241-2015-00003
Award period:	10/01/2014- 9/30/2017
Funding agency:	Department of the Interior
Title:	Consolidated Tribal Government Program
CFDA number:	15.021
Award number:	A13AV00275
Award period:	10/01/2015-09/30/2016
Funding agency:	Department of the Interior
Title:	Garrison Diversion Unit
CFDA number:	15.518
Award number:	R92AV60012 & 6-FC-60-07010
Award period:	9/30/2015-10/01/2017
Funding agency:	Health and Human Services
Title:	Head Start
CFDA number:	93.600
Award number:	90CI8015/46
Award period:	01/01/2016-12/31/2016



**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section III — Federal Award Findings and Questioned Costs — continued

2016-022 — Inadequate Records and Accounting for Depreciation Expense (Repeat Finding of Item 2015-028) (Material Weakness) — continued

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*Criteria:* Capital assets should be depreciated over their estimated useful lives unless they are inexhaustible or are infrastructure assets reported using the modified approach. Inexhaustible capital assets such as land and land improvements should not be depreciated. Depreciation expense for capital assets that can specifically be identified with a function should be included in its direct expenses. Depreciation expense for “shared” capital assets (for example, a facility that houses the police department, the building inspection office, and the water utility office) should be ratably included in the direct expenses of the appropriate functions. Depreciation expense for capital assets such as a city hall or a state office building that essentially serves all functions is not required to be included in the direct expenses of the various functions. This depreciation expense may be included as a separate line in the statement of activities or as part of the “general government” (or its counterpart) function (and in either case, may be allocated to other functions. If a government uses a separate line in the statement of activities to report unallocated depreciation expense, it should clearly indicate on the face of the statement that this line item excludes direct depreciation expenses of the various programs.

*Condition:* The Tribe has not prepared a depreciation listing for its capital assets.

*Cause:* Policies and procedures have not been developed and implemented requiring the maintenance of a complete and current depreciation listing.

*Effect:* The lack of maintaining a complete and current depreciation listing creates the situation that material misstatements would not be detected in a timely manner.

*Auditor’s Recommendation:* Policies and procedure should be developed and implemented requiring the maintenance of a complete and current depreciation listing with all of the relevant components.

*Management Response:* Staff has been hired for the Property and Receiving Department. Progress is being made to track and record new property as well as existing property and the details for each. Asset software is being evaluated along with a barcoding system. Once implemented, depreciation can be accurately calculated.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section III — Federal Award Findings and Questioned Costs — continued

**2016-023 — Segregation of Duties – Payroll (Repeat Finding of Item 2015-030)**  
**(Significant Deficiency)**

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*Federal program information:*

Funding agency:	Health and Human Services
Title:	Low- Income Home Energy Assistance (LIHEAP)
CFDA number:	93.568
Award number:	2015G992201
Award period:	10/01/2014-9/30/2016
Funding agency:	Health and Human Services
Title:	Indian Self-Determination
CFDA number:	93.441
Award number:	HHS-I-241-2015-00003
Award period:	10/01/2014- 9/30/2017
Funding agency:	Agriculture Food and Nutrition Service
Title:	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
CFDA number:	10.557
Award number:	90CI8015/46
Award period:	9/27/2013-9/30/2016
Funding agency:	Department of the Interior
Title:	Consolidated Tribal Government Program
CFDA number:	15.021
Award number:	A13AV00275
Award period:	10/01/2015-09/30/2016
Funding agency:	Department of the Interior
Title:	Garrison Diversion Unit
CFDA number:	15.518
Award number:	R92AV60012 & 6-FC-60-07010
Award period:	9/30/2015-10/01/2017
Funding agency:	Health and Human Services
Title:	Head Start
CFDA number:	93.600
Award number:	90CI8015/46
Award period:	01/01/2016-12/31/2016

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section III — Federal Award Findings and Questioned Costs — continued

2016-023 — Segregation of Duties – Payroll (Repeat Finding of Item 2015-030)  
(Significant Deficiency) — continued

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*Criteria:* A fundamental concept in a good system of internal control is a proper segregation of duties. Without adequate segregation of duties, the risk of an error or fraud occurring and going undetected increases. The basic premise is that no one employee should responsibility to all phases of a transaction. In situations where segregation of duties is not feasible, a higher level of management oversight is appropriate.

*Condition:* At present, there is a lack of segregation of duties within the payroll department, the Payroll Supervisor maintains the payroll master file, including making changes to it for pay rate changes without approval; adds and deletes employees.

*Cause:* Policies and procedures have not been developed and implemented prohibiting the practice that one employee have responsibilities to all phases of a transaction.

*Effect:* The lack of segregation of incompatible duties increases the possibility that errors and improper activities would not be detected.

*Auditor's Recommendation:* Policies and procedures should be developed and implemented prohibiting the practice that one employee have responsibilities to all phases of a transaction.

*Management Response:* Payroll job descriptions are being updated to separate duties, which will create checks and balances for adding/deleting employees as well as pay rate changes.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section III — Federal Award Findings and Questioned Costs — continued

**2016-024 — Disjointed Payroll System — (Repeat Finding of Item 2015-031)**  
**(Significant Deficiency)**

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*Federal program information:*

Funding agency:	Health and Human Services
Title:	Low- Income Home Energy Assistance (LIHEAP)
CFDA number:	93.568
Award number:	2015G992201
Award period:	10/01/2014-9/30/2016
Funding agency:	Health and Human Services
Title:	Indian Self-Determination
CFDA number:	93.441
Award number:	HHS-I-241-2015-00003
Award period:	10/01/2014- 9/30/2017
Funding agency:	Agriculture Food and Nutrition Service
Title:	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
CFDA number:	10.557
Award number:	90CI8015/46
Award period:	9/27/2013-9/30/2016
Funding agency:	Department of the Interior
Title:	Consolidated Tribal Government Program
CFDA number:	15.021
Award number:	A13AV00275
Award period:	10/01/2015-09/30/2016
Funding agency:	Department of the Interior
Title:	Garrison Diversion Unit
CFDA number:	15.518
Award number:	R92AV60012 & 6-FC-60-07010
Award period:	9/30/2015-10/01/2017
Funding agency:	Health and Human Services
Title:	Head Start
CFDA number:	93.600
Award number:	90CI8015/46
Award period:	01/01/2016-12/31/2016

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section III — Federal Award Findings and Questioned Costs — continued

2016-024 — Disjointed Payroll System — (Repeat Finding of Item 2015-031)  
(Significant Deficiency) — continued

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*Criteria:* The payroll system and finance system should be integrated to simplify tasks such as general ledger and accounts payable posting of benefits, payments, and projects.

*Condition:* The Tribe's current payroll system is disjointed from the finance system which creates the following issues:

1. Manual entries are required to post payroll to the finance system which is inefficient and increases the possibility of errors;
2. More opportunities for unaccounted expenses;
3. Maintenance of a clear audit trail becomes more difficult;

*Cause:* The Tribe has not analyzed the advantages/disadvantages of integrating the payroll system with the finance system.

*Effect:* Significant amount of manual entries to record payroll transactions to the finance system is required which increases the work effort. In addition, the possibility of errors is increased.

*Auditor's Recommendation:* We recommend that the Tribe connect its existing payroll system and finance system with a software interface. The interfacing of these systems will save the finance department time. This time could be spent better elsewhere, such as analyzing financial data, or working on other projects.

*Management Response:* Payroll is evaluating third-party payroll providers that can directly interface with the Tribe's accounting software.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section III — Federal Award Findings and Questioned Costs — continued

**2016-025 — Update the Accounting Procedures Manual and Communicate the Changes (Repeat Finding of Item 2015-032) (Significant Deficiency)**

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*Federal program information:*

Funding agency:	Health and Human Services
Title:	Low- Income Home Energy Assistance (LIHEAP)
CFDA number:	93.568
Award number:	2015G992201
Award period:	10/01/2014-9/30/2016
Funding agency:	Health and Human Services
Title:	Indian Self-Determination
CFDA number:	93.441
Award number:	HHS-I-241-2015-00003
Award period:	10/01/2014- 9/30/2017
Funding agency:	Agriculture Food and Nutrition Service
Title:	Special Supplemental Nutrition Program for Women Infants, and Children (WIC)
CFDA number:	10.557
Award number:	90CI8015/46
Award period:	9/27/2013-9/30/2016
Funding agency:	Department of the Interior
Title:	Consolidated Tribal Government Program
CFDA number:	15.021
Award number:	A13AV00275
Award period:	10/01/2015-09/30/2016
Funding agency:	Department of the Interior
Title:	Garrison Diversion Unit
CFDA number:	15.518
Award number:	R92AV60012 & 6-FC-60-07010
Award period:	9/30/2015-10/01/2017
Funding agency:	Health and Human Services
Title:	Head Start
CFDA number:	93.600
Award number:	90CI8015/46
Award period:	01/01/2016-12/31/2016

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Schedule of Findings and Questioned Costs — continued**  
**For the Year Ended September 30, 2016**

Section III — Federal Award Findings and Questioned Costs — continued

2016-025 — Update the Accounting Procedures Manual and Communicate the Changes (Repeat Finding of Item 2015-032) (Significant Deficiency) — continued

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*Criteria:* The accounting procedures manual should be updated for procedures in actual use and/or best business practices in a timely manner.

*Condition:* We noted that the existing accounting procedures manual does not reflect the procedures actually in use because it has not been updated as changes were made in procedures. Any changes in the accounting procedures manual, as well as existing internal controls, should be documented and communicated on a regular basis to all affected persons. Internal controls cannot work unless employees are aware of them.

*Cause:* The Tribe's "Financial Management Policies and Procedures Manual" was last revised on October 1, 1994.

*Effect:* The lack of an updated accounting procedures manual increases the likelihood of the following:

1. Misunderstandings;
2. Errors;
3. Inefficient or wasted efforts;
4. Duplicated or omitted procedures;
5. Inaccurate or untimely accounting records.

*Auditor's Recommendation:* We recommend that the Tribe update its financial management policies and procedures manual to reflect procedures in actual use and/or best business practices in a timely manner. In addition, these changes to be communicated to the employees in an effective manner.

*Management Response:* The SRST Financial Policies and Procedures were written in 1983 and last revised in 1994. Finance is soliciting proposals to update the manual.

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended September 30, 2016**

	Prior-Year Finding	Current Status
<b><i>Financial Statement Audit</i></b>		
2015-006, 2015-027 2004-001	The acquisitions and disposals of property and equipment are not reconciled to the individual fund's general ledger. The Department does not have all of its capital assets recorded.	Not corrected
2015-010, 2008-001	The Department is not preparing its financial statements.	Not corrected
2015-006, 2015-007, 2015-027, 2015-028 2008-002	The Department has not recorded many of its general infrastructure assets in governmental activities, and in turn, it does not record depreciation.	Not corrected
2015-013, 2011-002	The Department has no collection policy or late fees for missed loan payments, and as a result, many Tribal members are not making regular payments. The Department should write off loans that are deemed to be uncollectible.	Corrective action taken
2015-011, 2015-029, 2011-003	The Department failed to record expenditures when liabilities were incurred. The Department does not have proper controls regarding cutoff procedures.	Corrective action taken
2015-001, 2015-022, 2011-004	Due/to and due/from balances have remained on the books for several years and are not expected to be paid back; however, these accounts are classified as current assets and current liabilities.	Not corrected
2015-013, 2012-001	The Department was unable to provide a detailed listing of the outstanding Higher Education loans.	Corrective action taken
2015-009, 2013-004	Long-term debt payments and additions to long-term debt should be recorded by the Department.	Not corrected
2015-002, 2015-023	Improper grant revenue recognition at year-end	Corrective action taken
2015-003, 2015-024	Inadequate/Unsupported Grant Analysis Accounting	Not corrected
2015-004, 2015-025	Schedule of Expenditures of Federal Awards Not Accurate or Complete	Corrective action taken



**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Summary Schedule of Prior Audit Findings — continued**  
**For the Year Ended September 30, 2016**

	Prior-Year Finding	Current Status
	<b><i>Financial Statement Audit</i></b>	
2015-005, 2015-026	Regular Trial Balance Review Inactive Funds and Accounts/Unrecorded Activity	Corrective action taken
2015-008	Lack of physical inventory of capital assets	Not corrected
2015-012	Unrecorded Activity for Cash Equivalents/Investment Trust Accounts	Not corrected
2015-014, 2015-030	Segregation of duties – payroll	Not corrected
2015-015, 2015-031	Disjointed payroll system	Not corrected
2015-016, 2015-032	Update the Accounting Procedures Manual and Communicate the Changes	Not corrected
	<b><i>Major Federal Award Program Audit</i></b>	
2015-017, 2004-001	The Department did not file the required standard financial reporting forms, such as Financial Status Reports, and other reports within the required timeframe. In addition, discrepancies were noted and adequate support could not be obtained.	Not corrected
2015-027, 2004-003	Property and equipment inventory records were not reconciled to the individual programs' general ledger and asset listings maintained by the programs.	Not corrected
2015-018, 2012-001	Head Start is not tracking the 15 percent administrative requirement by month and calculating the percentage needed to meet the requirement.	Partially corrected and modified
2015-018, 2012-003	The Head Start program is not meeting the 20 percent matching requirement.	Partially corrected and modified
2015-019	The Indian Self-Determination and CTGP programs are not meeting the special tests and provisions-character investigations requirement.	Not corrected
2015-020	The WIC and Garrison Diversion Unit program were not following the procurement, suspension and debarment requirements in regards to bid documentation.	Partially corrected and modified
2015-021	The WIC program was not following the special test and provision requirement for vendor monitor requirements.	Not corrected

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Corrective Action Plan — continued**  
**For the Year Ended September 30, 2016**

Audit Finding	Corrective Action Plan	Person(s) Responsible	Estimated Completion Date
2016-001-Inadequate Records and Accounting for nonreciprocal Interfund activity	See management's response to the finding	Amy Hannesson, Controller	September 30, 2018
2016-002-Inadequate/Unsupported Grant Analysis Accounting	See management's response to the finding	Amy Hannesson, Controller	September 30, 2018
2016-003-Inadequate Records and Accounting for Capital Assets	See management's response to the finding	Amy Hannesson, Controller	September 30, 2018
2016-004-Inadequate Record and Accounting for Depreciation Expense	See management's response to the finding	Amy Hannesson, Controller	September 30, 2018
2016-005-Lack of Physical Inventory of Capital Assets	See management's response to the finding	Amy Hannesson, Controller	September 30, 2018
2016-006-Reconciliation of Outstanding Debt Instruments to Accounting Record Not Performed	See management's response to the finding	Amy Hannesson, Controller	September 30, 2017
2016-007-Financial Statements not Prepared by Management	See management's response to the finding	Amy Hannesson, Controller	September 30, 2018

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Corrective Action Plan — continued**  
**For the Year Ended September 30, 2016**

Audit Finding	Corrective Action Plan	Person(s) Responsible	Estimated Completion Date
2016-008-Unrecorded Activity for Cash Equivalents/ Investment Trust Accounts	See management's response to the finding	Amy Hannesson, Controller	September 30, 2018
2016-009-Segregation of Duties- Payroll	See management's response to the finding	Jerome Longbottom, CFO	September 30, 2018
2016-010-Disjointed Payroll System	See management's response to the finding	Jerome Longbottom, CFO	September 30, 2018
2016-011-Update the Accounting Procedures Manual and Communicate the Changes	See management's response to the finding	Amy Hannesson, Controller	September 30, 2018
2016-012-Information Technology	See management's response to the finding	Jerome Longbottom, CFO	September 30, 2018
2016-013-Reporting	See management's response to the finding	Nicole Many Horses, Assistant Finance Officer	September 30, 2017
2016-014-Matching, Level of Effort, Earmarking	See management's response to the finding	Nicole Many Horses, Assistant Finance Officer	September 30, 2017
2016-015-Procurement, Suspension, and Debarment	See management's response to the finding	Nicole Many Horses, Assistant Finance Officer	September 30, 2017
2016-016-Eligibility	See management's response to the finding	Nicole Many Horses, Assistant Finance Officer	September 30, 2017
2016-017-Special Test and Provisions	See management's response to the finding	Nicole Many Horses, Assistant Finance Officer	September 30, 2017

**Standing Rock Sioux Tribe**  
**Government Services Department**  
**Corrective Action Plan — continued**  
**For the Year Ended September 30, 2016**

Audit Finding	Corrective Action Plan	Person(s) Responsible	Estimated Completion Date
2016-018-Special Test and Provisions	See management's response to the finding	Nicole Many Horses, Assistant Finance Officer	September 30, 2017
2016-019-Inadequate Records and Accounting for Nonreciprocal Interfund Activity	See management's response to the finding	Amy Hannesson, Controller	September 30, 2018
2016-020-Inadequate/Unsupported Grant Analysis Accounting	See management's response to the finding	Amy Hannesson, Controller	September 30, 2018
2016-021-Inadequate Records and Accounting for Capital Assets	See management's response to the finding	Amy Hannesson, Controller	September 30, 2018
2016-022-Inadequate Record and Accounting for Depreciation Expense	See management's response to the finding	Amy Hannesson, Controller	September 30, 2018
2016-023-Segregation of Duties- Payroll	See management's response to the finding	Jerome Longbottom, CFO	September 30, 2018
2016-024-Disjointed Payroll System	See management's response to the finding	Jerome Longbottom, CFO	September 30, 2018
2016-025-Update the Accounting Procedures Manual and Communicate the Changes	See management's response to the finding	Amy Hannesson, Controller	September 30, 2018