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STATE AUDITOR OF SOUTH DAKOTA  
REPORT ON THE ROLE OF THE OFFICE  
1983

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December 14, 1983

The Honorable Vern Larson  
State Auditor  
Capitol Building  
Pierre, South Dakota 57501

Dear Mr. Larson:

We are pleased to present this report on the proper role of the office of State Auditor in South Dakota. We have identified a role that is consistent with both the history of the office and the current financial data processing technology.

Our conclusions and recommendations are the result of our study of two primary areas:

1. the legal structure from which the office of State Auditor has existed and,
2. the functional evolution of the office of State Auditor.

## Legal Structure

Currently Article IV, Section 7 of the Constitution of South Dakota states:

There shall be chosen by the qualified electors of the state at the general election of the Governor and every four years thereafter the following constitutional officers: attorney general, secretary of state, auditor, treasurer, and commissioner of school and public lands, who shall severally hold their offices for a term of four years.

The provision for an elected auditor appeared in the original Constitution adopted in 1889. In fact, the provision for an elected auditor dates back to the proposed Constitution of 1885 and 1883.

However, territorial law was different. Chapter 5, Article I of the Political Code of the Territory of Dakota Compiled Laws stated:

There shall be nominated by the governor, and by and with the consent of the council shall be appointed, a territorial auditor, who shall hold his office for the term of two years, and until his successor is appointed and qualified.

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Notice that the Territorial Auditor was selected by the Governor but that the State Auditor has always been elected.

Chapter 5 went on to list the duties of the Territorial Auditor. Some of his primary duties were to:

1. examine and adjust all accounts and claims against the territory,
2. issue warrants,
3. maintain a record of warrants issued,
4. keep accurate accounts of each fund, and
5. submit a report to the Governor showing financial activity and balances of each fund.

Today, the State Auditor has those same primary duties under South Dakota Codified Laws 1-9, 4-9, and 4-10.

#### Evolution of the Office

Currently the primary functions performed by the State Auditor's Office are:

1. process and pay claims against the treasury including pre-audit of all vouchers
2. maintain payroll tax records of employees paid from the treasury
3. maintain an outstanding warrant register
4. reconcile bank balances

Although the statutes prescribe that the State Auditor shall keep accounting records of state funds, in actual practice the Bureau of Finance and Management is providing such records. This change in practice is relatively recent.

The current statutes did reflect actual practice when the state's accounting system was manual. However, during the 1960's the state's accounting system became computerized. Duplication of records which had been a control factor under the manual system became a target for elimination. Following computerization, South Dakota state government was reorganized. The accounting system function was removed from the State Auditor's Office and placed within the Bureau of Finance and Management under the control of the Governor.

#### Conclusions

We conclude that the proper role of the State Auditor is to monitor the disbursement of state funds as an official directly responsible to the electorate.



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We find two facts to be very significant in determining that role and in making the recommendations to assist in carrying out that role:

1. The constitutional change to an elected State Auditor from an appointed Territorial Auditor.
2. The State Auditor's loss of control over the state accounting system.

The delegates to the Constitutional Convention chose to retain the functions of the Territorial Auditor but chose to alter the selection process from appointed to elected. In short, the Constitutional Convention wanted an auditor to process claims and maintain the accounting records, but they wanted him to be independent of the Governor and answerable only to the electorate.

The accounting system changes in the last twenty years have eroded the State Auditor's control over the state accounting records, control which the Constitutional Convention intentionally placed in the hands of an elected State Auditor. In a practical sense, he who controls the accounting system controls the financial information produced by the system. System changes which were wrought under the banners of economy and efficiency were suffered by constitutional checks and balances on gubernatorial power.

#### Recommendations

We recommend the State Auditor monitor the state accounting system. This could be accomplished through an employed accounting system analyst or through a consulting arrangement or a combination of the two.

The analyst would review the many facets of the accounting system ranging from small segments or sub systems to the overall system. His purpose would be to determine (1) whether the system is designed to provide the financial information necessary to the taxpaying public as well as to the governmental managers and (2) whether the system is functioning as designed. The analyst would allow the State Auditor to monitor the accounting system with an eye towards satisfying the public need for accurate relevant financial information.

We make this recommendation recognizing that the Bureaus of Finance and Management and Administration employ systems analysts who have responsibilities regarding the accounting system. We further recognize that the Department of Legislative Audit provides internal audits of state government including audits of the accounting system. Our recommendation is not intended to detract from their efforts because their purpose is different than the State Auditor's purpose. The State Auditor was constitutionally created to serve as an elected "watchdog" over the state purse. The word "watchdog" is overused but aptly descriptive. The Bureau of Finance and

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Management and Administration are tools of the Governor and not independently responsible to the public. The Department of Legislative Audit is an arm of the Legislature with the Auditor General appointed for an eight-year term. As such, the Department is substantially insulated from the public.

We further recommend that the pre-audit function be reviewed to determine whether the objectives obtained could be accomplished more efficiently. This review is particularly important in light of the anticipated implementation of on-line processing.

If you would like to discuss this report further, please let us know.

Respectfully submitted,

FISCHER BUCKLES & ASSOCIATES

A handwritten signature in cursive script, reading "Richard C. Buckles".

Richard C. Buckles  
Partner