

State Board of Internal Control (SBIC)  
Capitol Building 2nd Floor Room 207  
Pierre, SD  
February 27, 2017  
9:30 AM (CST)

Live audio link for this meeting found at:

<http://boardsandcommissions.sd.gov/Meetings.aspx?BoardID=164>

**1. Roll Call of Board Members – 9:30 AM Call to Order**

- A. Members in attendance:
  - i. Liza Clark – Chair – BFM Commissioner
  - ii. Steve Barnett – State Auditor
  - iii. Monte Kramer – BOR
  - iv. Laura Schaeffer – DSS
  - v. Tami Darnall – DOE
  - vi. Kari Williams – DOH
    - 1. Quorum is present
- B. Members not in attendance
  - i. Greg Sattizahn – UJS – excused

**2. Approval of Agenda**

- A. Motion to approve the agenda
  - i. IT WAS MOVED by Kramer, Seconded by Schaefer to approve the agenda. The motion carried with a unanimous voice vote.

**3. Approval of Minutes**

- A. Motion to approve the minutes
  - i. IT WAS MOVED by Darnall, Seconded by Kramer to approve the January minutes. The motion carried with a unanimous voice vote.

**4. Housekeeping Issues**

- A. All meeting materials located on OPEN SD under State Board of Internal Controls
- B. Streaming live
- C. Any questions, email [Mark.Edwardson@state.sd.us](mailto:Mark.Edwardson@state.sd.us)

**5. Single Audit Notifications from DLA (SDCL1-56-9)**

- A. Auditor General Guindon discussed
  - i. SDCL 1-56-9: Audit findings to be submitted to the Board. After the review of an audit in accordance with § 4-11-2.1, the auditor-general shall submit to the Board a copy of any audit report correspondence sent to a state agency identifying audit findings pertaining to federal award programs administered by the state agency.
  - ii. This law applies to local governments and nonprofits that are required to have a Single Audit. DLA has received 25 nonprofit audit reports so far. Five have

findings; of those, three have findings related to federal awards pass through from the State of SD.

1. Senior Citizens Services Inc.
  2. Feeding South Dakota
  3. Butte Electric Cooperative
- B. Discussion on the three entity audit findings
- C. State agencies have six months to issue a management decision letter indicating if they agree or disagree and how they want to handle the findings
- D. Kramer - What would we have seen for Mid-Central Cooperative?
- i. Auditor General Guindon - DOE findings pointed out that the organizations receiving the funds two levels down should have had a single audit
- E. Kramer - The law says SBIC is to receive these audit reports, but what should we be doing with the information?
- F. Clark - The Board needs to decide if the Internal Control officers or who will follow up to see that the corrective action plan was followed
- G. Auditor General Guindon - This will depend on the severity of the findings. Those discussed today are relatively minor findings. If there are more serious findings or disagreements between the agency and the nonprofit regarding corrective action, or if the completion date is not timely, then the Board should probably ask agencies that are passing the money through what they are doing about this. The Board can weigh in on more serious situations.
- H. Clark - Keith and his office will follow up with agencies on what action has been taken and to track the results

## **6. GOAC Update**

- A. Clark - BFM will take care of this update. No update at this time; GOAC has not met since last SBIC meeting.

## **7. UGG WORKGROUP Update**

- A. Senger
- i. State prepares a SEFA as well to report on the approximately \$2.3 billion of federal funds we received in FY16, of which we pass through approximately \$250 million to subrecipients. We will issue the Single Audit by the end of March.
  - ii. When we pass-through the funds, the State is still responsible
  - iii. Twenty-five different state agencies and component units are doing things differently, which creates additional risk. Subrecipients and auditors are seeing different forms from the various state agencies.
  - iv. The UGG workgroup was created to minimize the risk of non-compliance with UGG
    1. The group has created four centralized tools (templates) so far to mitigate risk for the State. There are several more that have not been started.
    2. Proposal: SBIC should provide direction as to where the UGG workgroup should proceed. I suggest that at the March meeting the workgroup present to the Board the four tools to explain how they are meeting state obligations and what disagreements agencies have with the forms. At a

future meeting, the Board would vote to adopt forms for all state agencies effective July 1, 2017.

- a. If an agency doesn't want to use the forms they must present to the Board before July 1. They can ask for a waiver to be exempt from using the form(s) and ask the Board for approval to use the different form(s).
- b. Outside entities and auditors need consistency from the State. We need to refrain from looking like 30 different agencies and appear as one State government.

B. Kramer

- i. Board members selected are those agencies with many subrecipient agreements. These are the ones with the deviations.
- ii. I am willing to hear from the agencies on why they are using different forms
- iii. Uncomfortable saying all must use same form at this point
  1. BOR is an outlier using forms from FDP (Federal Demonstration Partnership)

C. Senger - BOR is an entity that is using different forms. Those forms were created by a nationwide group with the same idea as the UGG workgroup. I would support a variance for BOR.

D. Darnall - DOE is holding out on the grant agreement form. Are the forms just for federal grants?

E. Senger - At this point in time only focusing on federal grants. Phase 2 will be reviewing state grants

F. Darnall

- i. On the grant agreement form we agree with 90% of the form
- ii. Recommend standard terms and have a section for special terms and conditions where an agency can add their own requirements
- iii. Formula and entitlement grants are specifically covered in federal requirements; we would need a waiver in that area

G. Clark - We will move forward and discuss each form separately. We will reach out to agencies to present their input, and make decisions going forward.

H. Senger - I think it's important the Board approves the forms sooner rather than later as state agencies need time to make changes

I. Clark - The Board will hear about the forms at the next meeting. It is better to have consensus before, rather than adopting and continually changing the forms.

## 8. RFP Update Internal Controls #799

A. Senger - The 6 members of the RFP workgroup have reviewed and evaluated the five proposals and have compiled the ratings. Cost was not a factor in this decision. They are ready to make a recommendation to BFM to move forward.

B. Clark

- i. We are looking at finalizing the RFP
- ii. The Internal Control officer is for the State, not just BFM. I want someone hired before we start this process.
- iii. Will introduce new hire at next meeting

**9. Other discussion items**

A. Auditor General Guindon

- i. Regarding UGG and the need for uniformity, the subrecipients and auditors must be able to clearly determine whether it is a subaward or contract, as that determines whether a single audit is needed. When we have uniformity, it will be clear it is coming from the State of South Dakota.
- ii. There are a common set of items that need to be the same and there can be flexibility for additional items

**10. Adjourn – 10:41 AM**

- A. IT WAS MOVED by Darnall, seconded by Barnett to adjourn the meeting. The motion carried with a unanimous voice vote.