

State Board of Internal Control (SBIC)
Capitol Building 4th Floor Room 414
Pierre, SD
March 23, 2017
9:00 AM (CST)

Live audio link for this meeting found at:

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

1. Roll Call of Board Members – 9:00 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. Greg Sattizahn – UJS
- vii. Joan Adam – DOH (proxy for Kari Williams)
 1. Quorum is present

2. Approval of Agenda

A. Motion to approve the agenda

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

3. Approval of Minutes

A. Motion to approve the minutes

- i. Clark – change to the location of the meeting to room 207, which is the correct location of the last meeting.
- ii. IT WAS MOVED by Kramer, Seconded by Schaeffer to approve the February 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 Control
- B. Streaming live
- C. Any questions, email Mark.Edwardson@state.sd.us

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

A. Clark – There are no single audit notifications.

6. GOAC Update

A. Clark – The next GOAC meeting is scheduled the Tuesday after Veto day. Clark will give a report at the next SBIC meeting.

7. UGG WORKGROUP Update

A. **Subrecipient vs Contract Checklist**

- i. Chris Peterson, Finance Officer for GFP and SDDA– The contractor or subrecipient relationship determination checklist’s intent is to satisfy the requirements of 2 CFR 200.330.

Trying to standardize grant compliance requirements for grants in my world is very different than grants in education.

- ii. Clark – It appears 2 agencies will not be using this.
- iii. Senger – BOR is using another form that universities across the nation are using. They will be bringing discussions next meeting. Social Services has lots of these they are going through. They wanted to change the look of the forms. More details will be brought next week.
- iv. Peterson – The form helps state agencies comply with CFR 200.330, by walking through different questions and sections that helps us make a determination whether a subrecipient agreement or a contract is needed. Each section gives you a subtotal. As you work your way to the end of the document you get a final total to help make that determination. In our experience there have not been many surprises with the determinations of this form. We've been using the forms pretty consistently over the last several months. The forms allow us to formally document our decisions.
- v. Kramer – At what point do you decide you need to fill out the back of the form?
- vi. Peterson – As we go through page 1, is this funded in portion with federal funds or a state agency, the form essentially stops. If you click yes on any of the first 4 that's where you add it to the file and don't need to proceed.
- vii. Darnall – Can we add a checkbox that if the funding is by nature of flow through grants? Then say yes it is a grant and stop there?
- viii. Senger – What we are trying to do with this form is so it works for everyone. If that is something that just pertains to DOE, it might be better that this board states DOE does not have to use this form for those grants. Or maybe that's something you guys can add to the end of the form. That way you guys use it that way. I suspect this form will continue to change. The reason we are doing this is if there is a subrecipient there are a lot more requirements than if it is a contractor. We have hyperlinks to the CFR so you can see that information right away. Just because you check one subrecipient relationship does not mean it is a subrecipient.
- ix. Clark – You store the forms after they are filled out. Is every agency in charge of determining where they are stored and who is deciding to make sure they are all complete?
- x. Peterson – Across GFP we work with 3 or 4 federal awarding agencies. We use online folders. As we go into Agriculture I have 6 different divisions who receive federal funds. We have hard copy files that stay there and scan and stay within their division. It does vary. It's not this way for a lot of agencies; these are completed by a finance officer.
- xi. Kramer – This form is online or is this on paper?
- xii. Senger – Everyone has access but we believe it may need to be somewhere centrally where you have the ability to get this form. It currently has been sent out by email.
- xiii. Kramer – The words description and quality are spelled wrong. If the first box I say no and the second I say yes, so we are done with the form. If they answer the questions in the first section is there any more questions where you can say I don't need to fill out the rest?
- xiv. Peterson – If you fill out the first section and there is a yes, we stop.
- xv. Senger – You can select contractor for the first 7 or 8 boxes, it might not be contractor. You have to look at all the questions to determine the characteristics. There are some agencies that you fill out the whole document and there are still questions. It's not black and white. That's why we feel it's important to go through the whole document.

B. PreAward Risk Assessment

- i. Emily Ward, Director of Administrative Services DLR – Part of the UGG says agencies need to consider the risk of their subrecipients before starting an agreement with them. We took

some examples from outside entities and some examples that agencies are currently using to try to put together something that was objective and simpler to use. Some examples were selecting a “Yes/No” answer which is the direction we decided to go. This is also trying to take into consideration the vast differences in grants as some are very small and some are very large and complex.

- ii. Kramer – What order would you complete these forms in?
- iii. Ward – You don’t necessarily need to do a risk assessment when you are entering into a contract. It would be after you determine it’s a subrecipient relationship.
- iv. Senger – We are focusing on Federal dollars. There is no requirement now that we have to do a risk assessment on contractors. Long term I think it’s important we do a risk assessment on everyone. I think it’s important this grows. There are other things we do for contracts but risk assessment is part of internal control.
- v. Clark – You find a subrecipient is high risk, you can enter into the agreement. What if they are high risk and you don’t want to enter into the agreement, what happens?
- vi. Senger – You just determined that they are a subrecipient and they are high risk. Yes, if you see they are high risk and their whole business is receiving money from the state, there may be reasons you don’t want to do business with them and you don’t have to.
- vii. Clark – When you do the risk assessment, wouldn’t you want to do it before you’ve chosen the subrecipient?
- viii. Ward – This can be applicable with anyone you are going to enter an agreement with. You are just trying to get an idea of what type of agreement you are entering in. This to me is the second step of the process. When you are doing an RFP, you are likely going to be in a subrecipient relationship with them. When you get these proposals you can do your risk assessment and ask during the RFP process the questions you would like to fill this assessment out. There are other things you are considering when you are looking at the RFP. This is just one component the Feds require. This is part of the ongoing monitoring. It is on our to do list to come up with an ongoing monitoring document.
- ix. Kramer – I’m looking at the contractor subrecipient checklist. Sounds to me like you’ve already picked the subrecipient before doing to risk assessment. In order to fill the answers out you have to know something about them to fill this out. I would assume you’ve already signed something, so I’m trying to see how this flows.
- x. Senger – We have to start somewhere. It is a step one and step two but they work together. I would hope you wouldn’t have signed the grant agreement yet because this comes before.
- xi. Adam – In the DOH, our executive management team, we approve every awarding of fund regardless of the type. In our process the information that our finance office gives us is, were these areas completed, to make sure the staff has done all of the forms and provide us the information is if this is high risk. The program staff are collecting all of this information and our checks and balances is at the final level when we give them approval with full disclosure on all of those issues. I’d see that these forms have to work together before they bump it up to the next level.
- xii. Senger – There is no one way to do risk assessment. We are trying to be consistent throughout state government. It allows for if more things you want to add, you can. These point values will change in the future as we have more experience with the form. Monitoring is required by the Federal government. This tool is to help you determine if you want to do business and then develop a monitoring plan. We may have several agencies using this form for the same entity. I think it would be helpful to have this stored centrally. If we develop a questionnaire that the entity can fill out the risk assessment that has all this information on a centralized website for the state.
- xiii. Sattizahn – Has there been any thought of the public nature of these documents?

- xiv. Senger – My belief is that there is nothing we are doing here that we couldn't share with the entity. The state's risk assessment shouldn't be given out to the public. I don't know the legality but it's probably something that should be looked at.
- xv. Kramer – Who signs this form?
- xvi. Senger – I don't see why you couldn't give it to the entity and have them help out. If it were me, I would be giving them a secondary questionnaire that would help me fill this out. The signature is from a state employee. There are a lot of subjective questions.
- xvii. Adam – The Health Department felt the entity we are doing business with, should sign saying we gave them this information.
- xviii. Senger – DOH has been a leader on this process. It's my understanding the DOH sends out a questionnaire that the entity fills out and signs.

C. Subrecipient Agreement Form

- i. Senger – We are not ready with this form at this time.

D. Subrecipient Monitoring Guide

- i. Jan Talley, DOT – We spend a lot of time working on the subrecipient monitoring guide to ensure agencies develop monitoring plans. This is a procedural guide, not a checklist or a form.

E. Ongoing Monitoring

- i. Senger – This whole process is tying in together. The next step is ongoing monitoring. We intend on slowly building in the ongoing risk assessment. You have to be going back and evaluating risk.

8. Other discussion items

A. HB 1170 Conflict of Interest Provision

- i. Sattizahn – Do we need to revisit the conflict of interest policy? We are going through ours now. HB 1170 passed the 2017 legislature and has a conflict of interest provision.
- ii. Clark – We can add that to a future agenda item.

B. BHR about our code of conduct

- i. Clark – Some of the information applies to state employees specific. BHR is in the process of working with the agencies to have a template for board and commissions or reorganizing the way it's written. BHR is working on that should hopefully be able to give us an update next meeting.

C. BFM Statewide Internal Control Officer

- i. Clark – I also wanted to introduce Terry Miller as BFM's new Statewide Internal Control Officer.

9. Adjourn – 10:30 AM

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