

State Board of Internal Control (SBIC)

Third Meeting

Capitol Building 4th Floor Room 414

Pierre, SD

July 27, 2016

1. Roll Call of Board Members – 1:31 p.m.
 - a. Call Meeting to Order
 - i. Members in attendance
 1. Jason Dilges – Chair – BFM Commissioner
 2. Steve Barnett – State Auditor
 3. Monte Kramer – BOR
 4. Laura Schaeffer – DSS
 5. Tami Darnall – DOE
 6. Kari Williams – DOH
 - ii. Members not in attendance
 1. Greg Sattizahn – UJS
2. Approval of minutes
 - a. Motion to approve - Barnett
 - b. Second - Darnall
 - i. Unanimously approved and motion carried
3. Housekeeping Issues
 - a. Audio questions or feedback please contact mark.edwardson@state.sd.us
4. Code of Conduct
 - a. Reviewing differences between BOR and BHR codes of conduct
 - i. Kramer
 1. BOR handbook is more specific to Higher Education situations
 2. Appears BOR and BHR are okay with accepting BOR handbook with the subtle differences
 - ii. Chris Houlette – BHR
 1. No policy changes to BHR Handbook only reorganized the information
 2. We have worked with BOR to compare. We believe the Board should accept the two separately.
 - b. Motion for State Agencies
 - i. The State Board of Internal Control adopts the South Dakota Bureau of Human Resources' Employee Handbook, and all future revisions, as the Code of Conduct for all State employees excluding the Unified Judicial System and Higher Education (Board of Regents, State Universities, and the State Special Schools). All State Agencies shall adopt the Code of Conduct contained in the South Dakota Employee Handbook as a code of conduct for State employees. For non-employees, each State Agency shall adopt the Code of Conduct contained in the South Dakota Bureau of Human Resources' Employee

Handbook, or a code of conduct substantially similar, as if the person were an employee.

- ii. Motion to approve - Williams
- iii. Second - Kramer
- iv. Discussion
 - 1. Darnall – concerned with applying to non-employees specifically vendors
 - a. Discussion – This is not applicable to vendors but is to contracted employees. A point was brought up whether “non-state employees” were the employees of the quasi state entities. Therefore, language was added to the motion to clarify the definition of State Agency as per SDCL 1-56, and the portion about the non-state employees was taken out.
 - b. Kramer – made substitute motion
 - i. The State Board of Internal Control adopts the South Dakota Bureau of Human Resources’ Employee Handbook, and all future revisions, as the Code of Conduct for all State employees excluding the Unified Judicial System and Higher Education (Board of Regents, State Universities, and the State Special Schools). All State Agencies as defined by SDCL 1-56 shall adopt the Code of Conduct contained in the South Dakota Employee Handbook, or a code of conduct substantially similar, as a code of conduct for State employees
 - ii. Second by Schaeffer
 - 1. Discussion
 - a. BFM Commissioner Dilges – Chris Houlette are you and BHR good with this change? Specifically – definition of state employees
 - b. Houlette – I believe we would be
 - 2. Roll was called, unanimously approved, and motion carried
- c. Higher Education proposed motion
 - i. The State Board of Internal Control adopts the Board of Regents’, State Universities’, or State Special Schools respective Employee Handbooks, and all future revisions, as their respective Codes of Conduct for all Higher Education employees.
 - ii. Motion to approve - Kramer
 - iii. Second - Barnett
 - 1. Kramer – proposed change from “or state special schools” to “and state special schools” and change “as their respective” to “as the respective” and change “Higher Education employees” to “Board of Regents employees”
 - a. Substitute motion

- i. The State Board of Internal Control adopts the Board of Regents', State Universities', and State Special Schools respective Employee Handbooks, and all future revisions, as the respective Codes of Conduct for all Board of Regents employees.
- ii. Moved substitute motion - Darnall
- iii. Second – Williams
 - 1. Roll was called, unanimously approved, and motion carried

5. Conflict of Interest

a. Kayla Bastian- BOR

- i. There is a three page form disclosure. Certain classes of employees are required to sign with their employment contract.
- ii. Sent to the respective president's office for signature and placed in employee file
- iii. This information is loaded in Banner where it can be extracted. We pull all the forms with an identified conflict and follow up, if necessary
- iv. BFM Commissioner Dilges – is every employee required to sign?
 - 1. Kayla Bastian Response – Only certain employees based on the decision making authority the employee has
 - a. 30 days to disclose changes, if they arise during the year
- v. BFM Commissioner Dilges – We could use the form cabinet members sign listing signatory authority with the Auditor's Office as a starting point.

b. Chris Houlette

- i. HB 1064 was passed with new statutes regarding benefiting from contracts effective July 1, 2015
- ii. Conflict of Interest Waiver instructions and form, conflict of interest decision matrix, and power point were uploaded to BHR website in June of 2015
- iii. New employees are informed at the beginning of their employment
- iv. Exiting employees are reminded of contract rules through TKS
- v. We will work with BOR to get something developed

c. Conflict of Interest Scenarios

- i. Four fictitious scenarios were presented to the Board. This brought up a discussion of whether each scenario was a conflict of interest. During the discussion it was also noted that even though a conflict of interest may not be present there can still be the perception of a conflict of interest to outside parties. There may need to be additional guidance for handling the perception.

6. Posting of grant agreements

a. Colin Keeler - BFM

- i. Update on posting of grant agreements
 - 1. No changes to data entry of posting
 - 2. Still looking at ability to batch load
 - 3. Reminder to redact confidential information

- b. There was a discussion between the Board members on the timing of adding grants to Open SD. Grants application deadlines can be throughout the year. Grant agreements are added once they are approved and signed.
- 7. Update on Current Activities
 - a. Keith Senger
 - i. Provided update on UGG Workgroups
 - 1. Subrecipient vs. contractor determination workgroup
 - 2. Pre-award/ongoing risk assessment workgroup
 - 3. Subrecipient monitoring workgroup
 - 4. Audit requirement workgroup
 - 5. Grant agreement workgroup
 - 6. Attestation workgroup
 - 7. High Risk Entities workgroup
 - ii. Plan to bring best practices to the Board at future meetings
 - b. Internal Control Officers Update
 - i. Had the first meeting
 - ii. Discussed broad responsibilities of the agencies and Internal Control Officers.
 - c. Subrecipient Audit Findings
 - i. How do you want information from DLA?
 - 1. Aggregate as they are received and go over at next monthly Board meeting
- 8. Items for next meeting
 - a. Bring forth a framework for where to go next
 - b. BFM Commissioner Dilges - Decide what direction we want to go as far as looking for outside help
 - c. Kramer – Annual report need to be thinking about what we are going to give the Legislature and the Government Operations and Audit Committee
 - i. How do we know we have addressed the issues that created this Board if we haven't dived into what caused the original issue
 - d. Send out BOR forms discussed in section 5.
 - e. Lt. Governor Michels – Closed the meeting by saying a big thank you to all of those participating. This is not a small thing, it is very important to the Governor, to Jason, and myself. There are many discussions about Internal Controls at the cabinet level. I would suggest that the cabinet members, internal control officers, and management meet regularly.
 - i. Those of you that are participating in the workgroups are the ones with the expertise, you are the reason that this is going to work and make us stronger. Thank You for all you do.
- 9. Motion to Adjourn – Williams - 4:01 p.m.
 - a. Second - Barnett
 - i. Unanimously approved and motion carried

