

State Board of Internal Control (SBIC)
Capitol Building 4th Floor Room 414
Pierre, SD
September 12, 2016
1:00 pm (CST)

Chairman Dilges called the meeting to Order – 1:05 PM

1. Roll Call of Board Members -
 - a. Members in attendance
 - i. Jason Dilges – Chair – BFM Commissioner
 - ii. Steve Barnett – State Auditor
 - iii. Monte Kramer – BOR
 - iv. Laura Schaeffer – DSS
 - v. Tami Darnall – DOE
 - vi. Kari Williams – DOH
 - vii. Greg Sattizahn – UJS
 - b. Quorum is present
2. Approval of Agenda
 - a. Kramer – requested an agenda item for an update and progress discussion on Conflict of Interest and Code of Conduct
 - b. Dilges – discussed including in housekeeping agenda item
 - c. IT WAS MOVED by Kramer, seconded by Sattizahn to approve the agenda. The motion carried with a unanimous voice vote.
3. Approval of Minutes from August 25, 2016 meeting
 - a. Kramer suggested change to the minutes
 - i. Page 2, item 5.b. the last two words in the second line are transposed. “next the” should read “the next”.
 - b. IT WAS MOVED by Kramer, seconded by Williams to adopt the minutes as amended. The motion carried with a unanimous voice vote.
4. Housekeeping Issues
 - a. Code of Conduct
 - i. Kramer – Status update from BOR
 1. BOR handbook will include letter from the Governor and letter from Dr. Rush.
 - ii. Dilges – Status update from BHR
 1. Letter from the Governor has been finalized
 2. Boards and Commissions can hold themselves to a higher standard, however should use the State’s document as a minimum
 - iii. Chris Houlette- BHR
 1. Code of Conduct currently being updated and will continue through fall
 - iv. Dilges- Add as an ongoing item to the agenda to keep agencies updated

- b. Conflict of Interest
 - i. Kramer- Status update from BOR
 - 1. Currently reviewing Conflict of Interest checklist provided by BHR for improvements
 - 2. Will provide update upon finalization
 - ii. Lieutenant Governor Michels – SDRS Board is also reviewing Conflict of Interest checklist provided by BHR
- 5. Should State seek outside help in developing and implementing an Internal Control framework?
 - a. Dilges
 - i. Would like to have list of deliverables prior to hiring external consultant.
 - ii. Ron Wire has agreed to come back part time to help seek expertise for external consultants
 - iii. Wire will also assist in seeking what other states are doing
- 6. Subrecipient vs. Contractor determination tool
 - a. Dilges
 - i. Concern was raised on wording “or equally effective tools”
 - ii. Questions raised – Does the Board want to approve one tool, or are they comfortable with each agency using their own tool if it is effective and follows guidelines set in 2 CFR 200.330
 - iii. Hold pending motion until further discussion
 - b. Kramer
 - i. Flexibility in tool choosing works for BOR
 - ii. Would like to see minimum guidelines/expectations that a tool should contain to determine if other tools being used are as effective as tool provided.
 - iii. Would like additional time to research to feel comfortable with recommendations
 - c. Darnall
 - i. The tool being used by DOE is similar to the tool currently used by DOH.
 - ii. Agreed that any tool would be ok if follows minimum requirements
 - d. Senger
 - i. Stated that he is not necessarily a believer in “one-size fits all”.
 - ii. In this case we have a tool that the UGG Workgroup has general consensus and believes it meets the federal requirements.
 - iii. All agencies have been involved in developing and modifying this tool. The UGG Workgroup has tweaked the tool provided by DOH.
 - iv. Tool is modifiable.
 - v. Some State Agencies are required by federal regulations to use other tools.
 - vi. Some State Agencies are using other equally effective tools.
 - vii. Leaving the option open for a range of tools could be an issue and create non-compliance.
 - viii. It is the responsibility of the SBIC to provide guidance
 - ix. South Dakota does not have a central grant compliance agency

- x. Concern for noncompliance in the future if a standard tool is not required
 - e. Guindon
 - i. Agrees that it is important to have core elements in a tool
 - ii. Ability to modify tool for special circumstances is important
 - f. Dilges
 - i. Agrees it is the Board's obligation to provide guidance to agencies, especially those without the resources to create their own tool
 - ii. Can we put together basic principles the Board can adopt to comply with 2 CFR 200.330?
 - g. Senger
 - i. There are different requirements for state grants vs federal grants
 - ii. Believes another tool will need to be developed for state grants
 - iii. The Board could at a minimum state that agencies need to follow requirements in 2 CFR 200.330
 - h. Dilges
 - i. Members on the Board currently working with grants probably have more sophisticated tools
 - ii. Would like the Board to help agencies that do not have tools
 - i. Lieutenant Governor Michels
 - i. Suggests pending the motion until a framework consultant is onboard
 - ii. We need to look at assessment for subrecipient pre-award and risk-assessment for required elements
 - j. Dilges – pending the motion at this time
- 7. Pre-award Risk Assessment Tool
 - a. Dilges
 - i. Are members of the Board using tools similar to the tool Emily Ward presented for risk assessment at the last meeting, or are you using other tools?
 - b. Williams
 - i. DOH created a risk assessment tool last May that is currently being re-visited to determine if questions are being asked at appropriate times
 - ii. The tool being used by DOH is not the same as the tool provided by the UGG Workgroup, but is another iteration of the tool
 - c. Darnall
 - i. DOE's tool depends on the type of grant being reviewed
 - ii. One-time grants and competitive grants use a tool similar to what was provided
 - d. Kramer
 - i. Unfamiliar with the risk assessment work group and what BOR is currently using. Would like to research further
 - e. Schaefer
 - i. DSS is using a different tool that is continuously modified
 - f. Dilges

- i. Is it the Board's desire to look at general guidelines to develop the tool for agencies that do not have the resources to adopt the tool provided?
 - ii. Suggested each agency could then tweak their own for applicable questions
 - g. Senger
 - i. The current tool is intended more for competitive grants and first-time grantees
 - ii. Attended a NASACT meeting last week regarding Uniform Grant Guidance
 - 1. BFM asked for feedback from other states to learn how they currently assess pre-award and ongoing risk
 - 2. Discussed if pre-award risk assessment is required by Uniform Grant Guidance
 - 3. Some states believe pre-award risk assessment is not required. Other states are using similar tools the UGG Workgroup has created
 - 4. Uniform Grant Guidance is vague, but believe it is good business to do risk assessment prior to granting money
 - 5. The tool is intended as a starting point for pre-award risk assessment
 - h. Lieutenant Governor Michels
 - i. Good example that the draft motions are focused on subrecipient and pass through grantees
 - ii. In the interim, would like to ask internal control officers how things are going with the tools provided
 - iii. Agrees a risk assessment should be required pre-award
 - i. Dilges
 - i. Pending the motion for the subrecipient vs contractor and pre-award risk assessment tools until more information is received
 - 1. Would like the UGG Workgroup to gather currently used tools from state agencies
 - 2. The Board can review for the level of sophistication
 - 3. Requested BOR to research what campuses are currently doing for risk assessment
8. Items for Next Meeting
 - a. Next SBIC meeting scheduled for October 12, 2016 at 10 am in room LRC 414
 - b. Dilges
 - i. The Board is currently trying to convey items they are working on to other governments, school districts, etc.
 - ii. Has been asked by several groups to come and speak on SB 162
 - c. Senger
 - i. Will be speaking to SD CPA Society next week – discussing SB 162
 - ii. Will provide possible effects with their clients
 - iii. Some agencies are requesting Internal Control presentation for managers, directors, etc.
 - 1. Next month, will be presenting to DOT with focus on agency specific needs

- 2. Working on making the presentation electronically available for all agencies
 - 3. Contact Keith if interested in receiving presentation. After the December CAFR is issued would work best, but willing to make time before if needed
 - iv. The UGG Workgroup will continue to meet
 - d. Dilges
 - i. The Board is doing their best to communicate with outside entities
 - ii. The goal is to have the other workgroups participating in future meetings
 - iii. GOAC requested an update on SBIC at their next meeting on October 18, 2016
 - 1. Dilges and Senger will provide the update
 - e. Lieutenant Governor Michels
 - i. Have we received single audit communication for the Auditor General yet?
 - 1. Senger
 - a. Not at this time
 - f. Lieutenant Governor Michels
 - i. The Governor's office currently meets with their executive team once a week with the topic of internal control as a standing agenda item to institutionalize the conduct in the event of staff changes
 - ii. Encourages agencies to hold weekly meetings with their secretaries or commissioners with internal controls as a standing agenda item as well
 - iii. Encourages boards to also include internal control as a standing agenda item at their meetings
 - 1. Dilges
 - a. Agrees it is important to keep internal control as a standing agenda item in the weekly meetings
- 9. Adjourn – 1:55 PM
 - a. IT WAS MOVED by Darnall, seconded by Barnett to adjourn. The motion carried with a unanimous voice vote.