

State Board of Internal Control (SBIC)

Capitol Building 4th Floor Room 414

April 26, 2017

1:30 (CST)

1. Roll Call of Board Members – 1:32 PM 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
- vii. Sattizahn was excused
 - a. Quorum is present

2. Approval of Agenda

- A. Clark requests moving item 7 on the agenda to the next meeting.
- B. Motion to approve the agenda
 - i. IT WAS MOVED by Schaeffer, seconded by Williams to approve the agenda with item number 7 removed. The motion carried with unanimous voice vote.

3. Approval of Minutes

- A. Motion to approve minutes
 - i. IT WAS MOVED by Schaeffer, seconded by Kramer to adopt the March minutes. The motion carried with 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 Derek.Johnson@state.sd.us
- D. If you wish to receive email notifications of meetings and other information concerning the State Board of Internal Control, you will need to sign up at <http://boardsandcommissions.sd.gov>

5. Recurring Discussion Items

- A. Single Audit Notification for DLA (SDCL 1-56-9)
 - i. Terry Miller stated that there were no single audit notifications from the Department of Legislative Audit.
- B. GOAC Update
 - i. Miller provided an update of the GOAC meeting held on 4/25/17 and provided information on the written findings.
 - ii. Miller stated that GOAC will need an SBIC work plan presented to them sometime in the fall of 2017 (August or September).

6. Code of Conducts for Boards and Commissions – BHR

- A. Aaron Arnold, BHR, discussed the draft of the Code of Conduct to be used statewide. The initial draft has been completed and provided to all the state finance officers, as well as the Boards and Commissions.
 - i. Kramer asked if BHR had worked with BOR, because BOR already has a code of conduct. Keith Senger responded by stating BOR was included on the code of conduct list.

7. Post Session Review

- A. Removed from today's agenda

8. South Dakota FY16 Single Audit

- A. Summary
 - i. Miller provided a brief summary of the single audit report.
 - ii. Clark discussed how the items provided to GOAC should be presented to SBIC as informational items. She also discussed the RFP within BFM to establish an internal controls framework that will help prevent findings in the future.
 - iii. Kramer asked whether or not the finding would include notation if it was recurring. Senger stated several changes have been made. The federal guidance is to separate the corrective action plan from the actual finding. There is also a requirement to list when the finding first occurred. When you look at the findings, you should be able to look at when it first occurred. Most of that is new with the FY16 findings. Clark stated we could add this information for the Board. Senger reiterated that he could add the dates to the document and disclose it to the Board.

9. UGG Work Group Tools

- A. General
 - i. Senger discussed the progress of the UGG work group. He hopes to have this prepared for the Board's approval in the coming months.

- ii. IT WAS MOTIONED by Williams and seconded by Barnet to move the motion items for discussion.
- iii. Clark discussed the specifics of the motions and the responsibilities of the agency and the SBIC. This information will be placed on the website and Senger and Miller can work with agencies on any issues prior to the May meeting.
- iv. Kramer questioned why changes would not need to be run through SBIC before becoming final.

B. Subrecipient vs Contractor Checklist

- i. Laurie Mikkonen, DSS, discussed the exemption that DSS is looking to receive from the Board. DSS division program staff goes through a checklist to review the relationship with the third party entity. Using the checklist and their judgment, they make the determination whether a party is a subrecipient or contractor.
- ii. Clark asked what is it that couldn't be added to the standard form to make it work.
- iii. Mikkonen stated that part of the difference is the layout. DSS was using this form prior to the UGG workgroup. They use more plain English than code. They feel the language is better suited for their audience and it drives the determination.

C. PreAward Risk Assessment

- i. Williams, DOH, discussed the exemption that DOH is looking to receive from the Board. DOH already has a process in place that includes a questionnaire. They have been using it for about three years. She stated that their form has nine more questions than the UGG form.
- ii. Clark – Could you just add on questions to the UGG workgroup form?
- iii. Williams – We could possibly do that, but we like our form.
- iv. Darnall – We have used a similar form, where does the risk assessment get determined?
- v. Williams – The form would be sent to the fiscal office, and then we use a standardized scoring. I can share that with you. Every entity is scored the exact same way.
- vi. Darnall – If an agency wanted to add questions, would that need to be cleared by the Board?
- vii. Darnall – The pre-award risk assessment is for new grant awards, correct? This would not apply to re-occurring grant awards?
- viii. Senger – There has been a lot of discussion about this. My opinion is that if you have already completed a risk assessment on an entity that you continue

to work with, you do not need to do a pre-award assessment. However you would need to perform monitoring and ongoing risk assessment. If there a break in business, then I think you would need to perform again need to use the pre-award risk assessment. Regarding the first question, the forms and tools are designed to allow agencies to add grant specific or agency specify questions/criteria as need without approval from the board.

- ix. Williams – Could we go the other way and hide a question from our program staff?
- x. Senger – Yes – if you didn’t want your staff to add any question that would be a decision that you would be making for your agency.

D. Subrecipient Agreement Form

- i. David McVey, DSS, discussed the subrecipient agreement form. The intent was to create a form that would allow for uniformity, but also allow some flexibility within the agencies. The form is broken down into three distinct sections. Also, there are instructions within the document to help agencies complete this form.
- ii. Clark – Where are we at with this document? Have we rolled this out to all the agencies?
- iii. McVey – We are still making changes and accepting changes by agencies. There is not much substantive commentary on this document. If we are intending this document to be a verbatim document, then agencies will have a problem. The agencies should be allowed to have some flexibility and handle these situations as they come up.
- iv. Kramer – At the March meeting, we had a list of agencies that agreed to use the forms. This particular form had the most disagreements with.
- v. McVey – We had a lot fewer “no’s” if we are able to have some flexibility within the document.

E. Ongoing Risk Assessment

- i. Senger stated that the UGG work group has not started the ongoing risk assessment. We do have a lot of tools and many agencies are already doing some things. The UGG work group will be creating that form over the next month or two.

10. Other Discussion Items

- A. Kramer – There have not been many “no’s” or exceptions. It would be helpful to have the UGG work group make recommendations on some of the exceptions. I have not seen anything on these forms where I would have heartburn.

- B. Clark – It would be good to have the changes between the various forms of the agencies and present this information side-by-side. This will allow us to specifically say why the standard form is not the form to be used. I would like the SBIC to vote and approve some of these spreadsheets, even if we make it a little more lenient. This will allow agencies to have time to adjust to the new forms.
- C. Clark – We need to discuss the post-session review. BOR will present some information on their forms. Senger and Miller need to outline the differences between all the forms, and we need to also adopt guidance's for the agencies.
- D. Senger – Our goal is that agencies can use these forms starting July 1, 2017. We hope to have motions for SBIC to adopt.

11. Agenda Items for Next Meeting

12. Adjourn

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