

State Board of Internal Control

Meeting Minutes

Date: 12/21/23

Time: 11:00 a.m.

Location: Room 414, State Capitol Building (4th floor), 500 E. Capitol Ave., Pierre, SD

1. Call to Order

2. Roll Call of Board Members

- A. Jim Terwilliger called the meeting to order at 11:02 a.m.
- B. Allysen Kerr called the roll.

Members present:

- i. Kellie Beck – DOT (*Excused*)
- ii. Heather Forney – BOR
- iii. Aaron Olson – UJS
- iv. Brenda Tidball-Zeltinger – DSS
- v. Chris Petersen – GFP
- vi. Rich Sattgast – State Auditor
- vii. Jim Terwilliger – BFM
 - 1. Quorum is present.

3. Approval of Meeting Agenda

- A. Motion to approve agenda.
 - i. IT WAS MOVED by Sattgast, seconded by Petersen.
 - ii. The motion carried with a voice vote.

4. Approval of Minutes from Last Meeting

- A. Motion to approve minutes from September 28, 2023.
 - i. IT WAS MOVED by Sattgast, seconded by Olson.
 - ii. The motion carried with a voice vote.

5. Recurring Discussion Items

A. Sub-recipient Audit Notifications from Department of Legislative Audit (SDCL 1-56-9)

i. Department of Public Safety - Call to Freedom Audit – Angie Lemieux

- 1. Call To Freedom – Audit Finding from 12/31/2022 year end. The finding was nine instances in which percentage of VOCA hours worked per employee timesheet differed from the percentage of VOCA hours charged to the federal program. DPS requested from CTF the specific 9 instances the auditors noted, so that we could verify those in their draw down requests. The VS office verified those instances were where CTF requested less than what they could have. We have made them aware that if they request less than what their documentation shows we do not send it back for corrections, this is determined as a management decision on their part. We do send back a reimbursement request that is for an “over-request” and require them to fix the request before a draw down is processed by our office.

Forney: Are we okay with the policy and procedures in place? Are they prepared to make changes / corrections, so they don't have any findings in the future?

Lemieux: DPS provides a worksheet. We can check. We know Call To Freedom doesn't have enough funding and know they will need to cover their costs. If they do over request; we sent it back for corrections before it is processed.

Terwilliger: Follow up; I want to make sure I am understanding this correctly. DPS has a control in place if the request is over the amount. If it is under that control does not kick in.

Lemieux: Correct.

Terwilliger: Was this a repeat finding?

Lemieux: Yes.

Terwilliger: Ally and Angie have a call with Call To Freedom and talk threw their process a little bit. Ally to give an update at the next meeting.

ii. Department of Public Safety - Southeastern Electric Cooperative - Dustin Hight

1. Southeastern Electric Cooperative DR4440. Project written by FEMA for 1.6 million based on estimates. Applicant used incorrect cost code for combination vehicles. During large project closeout we caught the incorrect cost code error and made the correction. In the amount of about \$19,000. They decided after that finding by our office, they wanted to recheck their numbers and caught an error with double billing toward retirement lines. They have updated formulas in their excel tables which will allow them more time to review information before submission. They have used these changes in two other disasters since this incident showing they have made the correction and it is working.

B. GOAC Update

- i. Jim Terwilliger provided an update on the recent GOAC Meetings:
 1. **10/19/23**: DLR performance measures, BOR reported on University Center, Annual Accountability report from Tech Ed, BHRA and Obligation Recovery Center Annual Report. South Dakota High School Actives Association annual report.
 2. **11/03/23**: GOAC Annual report.
 3. **11/08/23** DOE update on the SD Educator Portal-Educator Certification renewal process and DHS - Dakota at Home Program.
 4. **11/13/23**: Family Support 360 Report.

6. Internal Control Quarterly Report

A. Statewide

- i. Kerr: To date, our program has been rolled out to 16 agencies, with 2 currently in progress. Each agency onboarded has thoroughly documented their objectives, risks and controls, all of which are subject to periodic revision. Once onboarded, agencies attest to controls for high and critical risks semi-annually to ensure documented controls are implemented and effective. The following report details findings as part of the semi-annual attestations that are completed by control owners. During this reporting period, we had a Statewide response rate of 100% on those control attestations. I really appreciate all our agency internal control officers keeping their teams accountable to completing these attestations.
- ii. During our internal control implementations with each agency, we tailor our risk assessment approach to align with each department's strategic plans and objectives; and help them identify

- department wide and program specific risks. As a state we have identified 3,884 risks to date – that is up from 3,453 risks last quarter, and that is with the addition of Dept of Human Services.
- iii. After risks are identified, we have a risk prioritization workshop where we leverage standardized guidance to rate the likelihood and impact of the identified risks which will assign each risk a rating of low, medium, high or critical. For purposes of our program, we focus on the high priority risks to the state, or those that have a high or critical rating, and to date we have 584 identified or 15% of the total risks which is in line with our trending average over the last year.
 - iv. Agencies are asked to document and implement controls for high and critical risks at a minimum, and to date 887 controls have been identified and documented.
 - v. During this period, we had a total of 24 control issues identified. I worked with each internal control officer to review their agency's respective control issues.

B. Agency

- i. **Bureau of Finance & Management – Rachel Williams**
 1. No issues on controls. Fixed past errors.
- ii. **Department of Revenue – Bobi Adams**
 1. Since last meeting they have made minor adjustments. Looking for more in 2025 when they have new programs. 100% in this attestation period. 68 with 1 failure. The failure was not responding to an Open Records Request within the time allowed. Service Now has resolved the issue in agencies not getting notified of Open Records Request.
- iii. **Department of Tourism – Hallie Willey**
 1. 102 risks which a majority fall under operational and then some within public perception, compliance and financial. Most of our risks fall into the low and medium categories with just a few in the high and critical.
 2. 100% of our control owner self- assessments completed on time for this reporting period.
 3. One control issue that we have had to report to the Board in the past has now been remediated. The South Dakota Arts Council Policy and Procedure Manual was adopted by the Council/Board at its fall meeting and will be continually updated going forward to reflect changes.
- iv. **Department of Tribal Relations – Hallie Willey**
 1. 137 identified risks which fall into a variety of the categories with the largest chunk in operational. Most of the risks are low or medium. 100% completion for control owner self-assessments for this reporting period and zero control issues. Key personnel from the department, along with myself and Ally have a meeting set up for after the holidays to revisit their risks, controls, and the assigned control owners. Update to come on this.
- v. **Department of Corrections –Danna Humig**
 1. 350 identified risks which have not changed this quarter. 19 high and 1 critical risk. 100% completion this quarter. 2 controls failures both in the Security Division. One was a minor injury occurring during staff training. The other failure was due to low staffing DOC experiences. They are in the process of updating their security internal control matrices and will update at the next meeting. They have updated the risks in the Security Division and have added 21 high 16 low risks.

Terwilliger: Of those 21 high and 16 low risks are those something fourth coming here in the next quarter?

Kerr: It is in process. We want to make sure the controls we are uploading meet our standards.

- vi. **School & Public Lands – Justin Nagel**
 - 1. The Office of School & Public Lands completed Internal Control attestations on December 4th with 0 control failures and 100% compliance with our self-assessments.
- vii. **Office of the State Auditor – Rich Sattgast**
 - 1. 62 different areas of risk with nearly 60% of them being operational and 24% being compliance driven while 9 areas being Technological and 1 area being Financial. In the “Metric” Risk by Priority you will note that of those 62 types of Risk, 2 being of high risk and 11 being critical. Totaling nearly 21% being critical to high risk. Control Owner Self-Assessments completed on time with 100%. One issue with OSA Accounting. Should had been two for this failure, one with OSA Auditing as well. The two reported failures were tied together and only reported as one. A stamper was broken. They have half a dozen on hand to rotate them in and out. There was no delay in the audit process. Going forward we will not be reporting this as a failure.
- viii. **Office of the State Treasurer – Jason Williams**
 - 1. Of 67 - 8 are high risk, 24 medium risk, 35 low risk. In addition, 44 mitigating controls. 100% compliance. 0 failures.
- ix. **Department of Human Services – Greg Evans**
 - 1. 7 divisions for this project – Guardianship & Legal, Blind & Visually Impaired, Rehabilitation Services, Developmental Center, Developmental Disabilities, Finance, Budget & Admin, and Long-Term Services & Supports. DHS has 444 documented risks with 81 or 18.2% in the high to critical priority which is comparable with the statewide average of 15%. To mitigate those high and critical risks, we have 89 documented controls, DHS had a 100% completion rate for our first round of attestations. DHS had 19 control failures 90% of the 19 internal control failures already have processes in place and need to have formal policy and procedures put in place. The Internal Control Framework process was a great opportunity for the Department to identify areas where our current processes can be improved. This will help the Department better serve the citizens of SD in the future. Thanks to Allysen Kerr for all her assistance during this process, she was very helpful.

Forney: Having heard you just completed this in November and being very new to this. Don't feel discouraged because you have 19 control failures. Having the attitude that this is your to do list is the right attitude to have. I appreciate all the work you and your team have done.

Terwilliger: Echo the same comment from Forney. We appreciate all the time and effort agencies have put forth documenting all of this. At the end of the day, it helps us serve our customers.

Petersen: I like the mix of agencies we had before us today. We have agencies starting to adjust and adding agencies like DHS that were here for the first time.

7. Framework Project Update - Kerr

A. Board of Regents

i. USD, SDSU, BHSU, NSU, SDSM&T, DSU, Central Office, SDBVI, and SDSD

- 1. Kerr: We have finished all workshop training sessions with each university and the central office, and similar to DLR, it takes time and resources to get strong controls documented. At this point, each team has provided their control drafts, I have reviewed them and provided feedback or suggestions to them on how we could make those stronger.

2. It was tough to fit all of these universities in at the same time, but by doing all student affairs, athletics, academics, etc. teams at the same time, we have been able to leverage control ideas amongst each institution, as many of the risks they see are the same across the board, and really help get better documented processes in place.
3. I wanted to share one comment I received the other day to support this from a newer employee at an institution: After this review, it has become apparent that we are lacking in procedures and policies within our department. Recognizing the need for improvement, I plan to seek insights from colleagues at other universities to understand how they handle similar challenges.
4. We are still tentatively planning to have them report in March.
5. Additionally, I will be starting workshops with the School for the Blind & Visually Impaired and South Dakota Services for the Deaf after the new year to round out BOR.

Forney: Comment; kudos to Ally. She probably deserves hazard pay. Most campuses will tell you they are different in the process. It has been a challenge to get everyone to the table to have these conversations.

B. Department of Labor & Regulation

1. Kerr: Kerr: The Department of Labor has been the latest to implement the IC framework – I am continuing to work with them in the last phase of the project which is to document controls for high or critical risks – of which they have 116 so far, so it takes time to get those documented where they meet our criteria for strong and complete controls.
2. We broke DLR into 6 divisions for this project – Workforce Development, Banking, Insurance, Reemployment Assistance, Labor & Management, and Admin, Policy & Technology.
3. A common occurrence we experience during these implementations is that we typically identify weaknesses or areas where we are lacking controls and it often takes time or other resources to get processes in place. I always reiterate during the training that they are not in trouble, or subject to audits or reviews or anything like that for helping us identify weaknesses. This program is designed to help all state agencies identify and mitigate high/critical risks - I want to help them implement controls and I want to help them remediate any deficiencies that may occur.
4. To that point, DLR has committed to some lean projects and reviews from this implementation to help streamline and improve processes pertaining to fleet utilization, onboarding, and user access controls. I want to commend them for their commitment to this project. Each division has put forth a lot of time and effort into this project. It was great to work with their group, and I look forward to them reporting in March.

C. Next quarter activities

1. Kerr: As I mentioned at the last meeting, we have had PwC consultants from the start of this program, but this is our last week with them, so I have been spending a lot of time utilizing them as much as I can. I do plan to explore other consultants and possibly put out an RFP in the future. One of the things we have been looking at is the actual framework this board put into place in 2018. This program has evolved in that time, and I want to incorporate those change into the frameworks, so in the coming months I plan to provide you with a draft of those changes for approval. Additionally, if any of the board members have suggestions for any framework changes, new reporting metrics they'd like to see, or

anything else, please let me know and I can work on that. And finally, I wanted to note again that I will be helping with the ERP project starting after the New Year which may put a pause on the remaining implementations for a bit. I do still plan to work with BIT after session, but I will keep you posted as things evolve.

8. Other Discussion Items – Kerr

A. None.

9. Agenda Items for Next Meeting

A. Update on Call to Freedom Subrecipient Audit Findings, Department of Tourism review, Department of Corrections Security review progress, and Framework review updates.

10. Public Comment

A. None

11. Adjourn at 11:44 a.m.

A. IT WAS MOVED by Petersen, seconded by Olson.

DRAFT