

State Board of Internal Control Meeting Minutes

Date: 3/29/23

Time: 11:00 am

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 11:00 a.m.

B. Allysen Kerr called the roll

Members present:

- i. Kellie Beck – DOT
- ii. Heather Forney – BOR (EXCUSED)
- 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

Terwilliger: Welcome Aaron - Aaron Olson to replace Greg Sattizahn effective 1/1/23

3. Approval of Meeting Agenda

A. Motion to approve agenda

- i. IT WAS MOVED by Petersen seconded by Beck
- ii. The motion carried with a voice vote.

4. Approval of Minutes from Last Meeting

A. Motion to approve minutes from December 21, 2022.

- i. Petersen: one change on page 3 DOR line C add recent: Out of the 68 controls reviewed during this most recent attestation period.
- ii. IT WAS MOVED by Petersen, seconded by Tidball-Zeltinger
- 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 Education - YMCA of Rapid City
 - a. Currently they have four awards through this program.
 - 1. Canyon Lake School/Robbinsdale School- Year 3 of 5 - Year 3 award = \$206,548
 - 2. Youth Institute – Year 5 of 5 – Year 5 award = \$164,908
 - 3. Edgemont – Year 1 of 5 – Year 1 award = \$56,612
 - 4. Patriot and Vandenberg – Year 1 of 5 – Year 1 award = \$99,328

b. Governor's Emergency Education Relief Fund (GEER) - Governors may use these funds to:

1. Provide emergency support grants to Local Education Agencies (LEAs) most significantly impacted by coronavirus (as determined by the State Education Agency (SEA)) so they can continue to provide educational services and support ongoing functionality, Provide emergency support grants to Institutions of Higher Education (IHEs) serving students that have been most significantly impacted by coronavirus (as determined by the governor) so they can continue to provide educational services and support ongoing functionality, and;
2. Provide support to any other LEA, IHE, or other educational entity the governor deems essential for carrying out emergency educational services to students for the following activities:
 - i. Allowable activities under the Elementary and Secondary Education Act (ESEA),
 - ii. Activities under the Higher Education Act,
 - iii. The provision of childcare and early childhood education,
 - iv. Social and emotional support, and
 - v. The protection of education-related jobs.
 - vi. GEER grant award = \$1,094,357 with a performance date 3/13/2020 through 9/30/2022. Grant was awarded to the YMCA to provide continuity of services for after school programs currently in place.

Tidball-Zeltinger: Clarification of findings, there is a reference of incorrect wage rates and then reference of a new payroll system. Is this a data conversion issue?

Stoeser: Data conversion errors with the new system. DOE is still offering what should be in place. Who is signing off on what.

Kerr: They were doing everything by hand before. This will be more preventative control.

Terwilliger: In the management letter from DOE with the non-covid repeat finding the Y might need to come to the board. Be more aggressive to the findings.

B. GOAC Update

- i. No recent GOAC Meetings: Jim will report on those at future meeting.

6. Internal Control Quarterly Report

A. Statewide

- i. Kerr: Exec Summary. To date, our program has been rolled out to 13 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.

- ii. 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 94.1% on those control attestations.
- iii. 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 2,858 risks to date – that is up from 1,885 risks last quarter, and that is with the addition of Dept of Social Services & Dept of Health.
- iv. 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 417 identified or approximately 15% of the total risks which is in line with the 14% we had last quarter.
- v. Agencies are asked to document and implement controls for high and critical risks at a minimum, and to date 654 controls have been identified and documented.
- vi. During this period, we had a total of 22 control issues identified – 16 of which are from this reporting cycle, and the remaining 6 are carryovers from last quarter that are either in the review process or have remediation plans in progress.
- vii. I worked with each internal control officer to review their agency's respective control issues. We discuss if the issue is:
 - 1. a one-off or one-time failure where controls are in place but were not executed as they should have been, in which case we close out the issue and monitor for a repeat control failure next cycle.
 - 2. Or a control issue that is in progress of being implemented or reviewed, in which case we add a remediation plan to keep tabs on the progress and assign an owner and due date for re-check.
- viii. In total, we have 9 issues still open from those 22 – 3 are from this reporting period and those other 6 are the carryovers from last reporting period that are still open. Each internal control officer will talk about their respective control issues and remediation plans during their report.

B. Agency

i. Department of Game, Fish and Parks – Chris Petersen

GFP has been on boarded for a few years now, 375 risk types 62 high or critical, 82% on time last quarter was 100%. 3 control issues of those high and critical

2 or the 3 where GFP legal issues one GFP wanting a strategic plan internal, second was similar exec branch. GFP commission has a new chair and members going to work with those folks.

Last reoccurring issue is with Chronic Waste & Disease – deer population.

ii. Department of the Military – Connie Hohn

94% operational and compliance. Military has a higher risk than most. 6 months ago, they recognized one control deficiency, and it has been resolved. This is a tool for their agency. 94% of their employees are eligible to retire in the next 10 years. With the great amount of institutional knowledge this needs to be included in the control performance details.

Continuing to work with Kerr.

iii. Department of Public Safety – Angie Lemieux

Second time to report 100% completion in both rounds. 235 risks for third quarter. 22.6% low risk, 11.9% high, 61.7% medium, and 3.8% are critical risks. Of the 5 risk types. Operation is the highest with 51.1%, next Compliance with 26%, Public Perception is at 10.2%, Financial is at 8.5% and Technology 4.3%

Failure zero. Going forward we are only a year into it but to reevaluate what controls are. Anything to add or take off.

Terwilliger: Looking back to you think this is helpful?

Lemieux: It is good process. Keeping things on track.

Terwilliger: Folks might have anxiety about the process but it is eye opening to see deficiencies and seeing this as a good tool. Not just checking a box and getting things done the right way.

iv. Department of Social Services – Jason Simmons

First report before the board 525 risk 50% operational, compliance 20%, Financial 13.3%. Staff was surprised by the 3 highest; it is not all financial. Beneficial to the leadership team to see these numbers.

100% reporting on time 3 control issues - tech updates had to work on Medicaid expansion being short staffed. On track and should be in control on the next report. Staff was worried about the workload starting this process.

Petersen: Comment; thank you tackling this for DSS. Proof point getting DSS on board.

Terwilliger: Echo. Good staff in state government and DSS is a large agency.

v. Department of Health – Darcy McGuigan

First report - Started implementation in September. Thought it went very smoothly. Team came on strong and willing. New secretary got right on board too.

To report 437 risk most operational. Staff thought most findings would be financial and it is not. Developing stronger controls behind those.

One with the Health Protection Agency we are missing the process of developing those Airbnb inspections.

Any take ways – Ally and team were helpful, and the process was easier than I expected. It fits well with other quality control they already had in place.

7. Framework Project Update - Kerr

A. Office of the State Treasurer

- i. Reporting at next meeting
- ii. With turnover in elected official positions it is important to have those docs in place.

B. Department of Education

- i. Start next week and to end by end of May.

C. Board of Regents

- i. Implementation to start this summer after DOE.

D. Next quarter activities

- i. Additionally, I plan to continue the planning work regarding the next steps of our internal control program post-implementations during the next quarter.

8. Other Discussion Items - Kerr

A. Changes to Uniform Subrecipient Agreement Template

- i. Due to Executive Order 2023:02 “contracts with Prohibited Entities”

IT WAS MOVED by Tidball-Zeltinger; Second Petersen

B. New SBIC Board Member – Aaron Olson to replace Greg Sattizahn effective 1/1/23

9. Agenda Items for Next Meeting

A. No discussion items for the next meeting.

- i. None
- ii. Terwilliger – Board will work on agenda items.

10. Public Comment

A. None

11. Adjourn at 11:44 a.m.

A. IT WAS MOVED by Beck, seconded by Olson