

State Board of Internal Control Meeting Minutes

Date: 4/5/24

Time: 10:00 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 10:00 a.m.

B. Allysen Kerr called the roll.

Members present:

- i. Kellie Beck – DOT
- 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 Olson, seconded by Petersen.
- ii. The motion carried with a voice vote.

4. Approval of Minutes from Last Meeting

A. Motion to approve minutes from December 21, 2023.

- i. IT WAS MOVED by Beck, seconded by Petersen.
- 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 Health – South Dakota Health Care Coalition – Darcy McGuigan**

1. Four audit findings. Generalizing turn over with key staff and policy was not carried over. Procedures did not get documented. They have made most of the corrections already.

Terwilliger: Where these covid funds?

McGuigan: Both

Tidball-Zeltinger: Is the Health Care Coalition a private non-profit.

McGuigan: Yes, it is a non-profit group.

Children Homes Society – funding from DSS to DOH for bright start program. Proper procurement procedures 2023 audit will be a repeat finding. Freeman Regional Health Services had findings. None of them were with the Department of Health funds. Not following proper procurement procedures. Did not send a management letter since it was not their funds. DOE issued them a citation of non-compliance per regular monitoring activities.

Beck: not a repeat finding this year but will be next year?

McGuigan: Correct. But again, it is not with DOH funds.

Petersen: Statewide controls in place. Any funding we get an audit report for.

McGuigan: Anything we give money for we receive a copy of the audit.

ii. **Department of Education – YMCA of Rapid City – Cody Stoesser**

1. Repeat findings the last 3 years. Ally and Cody have meant with the YMCA of Rapid City. Knew there would be a finding again this year. We sustained the auditors finding and accepted the corrective action plan for the YMCA. Auditors have noticed improvements upon Cody meeting with the YMCA of Rapid City. Wade Pavlicek Chief Finance Officer was unable to connect to the meeting via Teams.

Terwilliger – Any questions Pavlicek can follow up in writing. Hopefully in the future this should be remedied based on the new systems put in place.

iii. **Department of Education – Youth & Family Services. Inc. – Cody Stoesser**

1. They tested one child, and they were set at the wrong rate. This is a forgiven situation. Accepted the corrective action plan.

iv. **Department of Education – Feeding South Dakota – Cody Stoesser**

1. TEFAT program did not agree with auditors finding. Auditor had old guidance. Not a traditional indirect cost. This is a more tedious process for them to claim indirect cost. Next finding sustained their corrective action plan. Sent food to non-approved program. And get correct paperwork sent in for approval from the department.

v. **Department of Education – Boys & Girls Club of the Sioux Empire – Cody Stoesser**

1. Governor's Emergency Education Fund grant and the 21st Century Grant. 21st Century Grant lasts for 5 years. Finding was about unallowable costs. Miss coding along with payroll taxes. Agencies are going to miss code things. Final statements accepted the Clubs corrective action plan. Make sure they are not repeat findings.

Terwilliger – Is this a repeat finding, where they had this the last couple of years? Stoesser- They were. But again, they were not subject to the A1- 33 honor requirements. First instance responding to this finding. The GEER program has ending. Should not have any trouble with that program. Will counite to work with them with the 21st Century Grant.

vi. **Department of Education – Boys & Girls Club of the Northern Plains – Cody Stoesser**

1. 7M of GEER Governor's Emergency Education Fund. Funds to help with the cost of Covid – cleaning supplies & tech updates. Also purchased vehicles for transportation. Normally do not get federal grants. Errors in coding inventory. Need to monitor their purchases.

B. GOAC Update

- i. Jim Terwilliger: none

6. Internal Control Quarterly Report

A. Statewide

- i. Kerr: To date, our program has been rolled out to 17 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 98% on those control attestations. I really appreciate all our agency internal control officers keeping their teams accountable to completing these attestations.
- iii. Here is the combined statewide report. 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 4,246 risks to date – that is up from 3,898 risks last quarter, and that is with the addition of Dept of Labor & Regulation.
- 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 664 identified or roughly 15% of the total risks which is in line with our trending average over the last year. Agencies are asked to document and implement controls for high and critical risks at a minimum, and to date 996 controls have been identified and documented.
- v. During this period, we had a total of 34 control issues identified. I worked with each internal control officer to review their agency's respective control issues. We discuss if the issue is: 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. 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. 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**
 1. Control review over several years 375 over all controls. This spring 4 attestation reviews were not completed, but those 4 controls are different from the last quarters reporting not repeating. One was not completed in Communications & Marketing. Two in GFP education and one in GFP Law Enforcement. We have been at 94 % and hope to get back up to 100%. Lots of staff that are control owners were not here when the controls were documented, so GFP would like to do a review with Ally on the controls they have with the new staff.
- ii. **Department of the Military – Leanne Reindl**
 1. No issues but she is new to the role going to review and update. Complete in the next 8 weeks. Working with Ally.

iii. **Department of Public Safety – Kimberly Blair**

1. 3rd quarter report 100% completion rate. 22% low, 61% medium, 11% is high and 3% being critical. Failures zero this quarter. Will be doing a review with all divisions.

iv. **Department of Social Services – Jason Simmons**

1. 523 risks 75 high or critical. 3rd time for 100% completion - their staff have taken ownership. Two failures in Public Perception medical services it is around an IT system they have provider credentialing and enrollment. HSC notice of injury report leg with communications. Have it all worked out now. Need to start testing more.

v. **Department of Health – Darcy McGuigan**

Over a year in the process 437 risks 74 high/critical 97% on time same as last time. 5 failures – 2 they need a SDCL changed. One failure employee didn't think a control was in place but it was. Training for contractors for HIPPA training, were not allowed to do training BIT and SD Learn did not allow contractors to log on to do the training. This is in process. Documentations of Legacy policies in the Family and Community Health. Since new cabinet secretary has started. DOH is asking Ally to come back for a refresher.

Beck: What is the timeframe of a refresher?

Kerr: Annual review is best practice. 3 years for a deep dive.

vi. **Department of Education – Cody Stoeser**

2 time 100% on time 531 risks 275 operational. 64 high risks 14 critical. 8 control failures it was determined one to be a library grant that was not awarded so that risk will get changed. 6 other risks pertain to desk guides and how a new person learns the jobs. Certification office - new system undocumented controls. Would like Ally to come back in a yet for a refresher. Desk guide updates. The control is happening.

vii. **Department of Labor & Regulation – Emily Ward**

1. Reporting for the first time. Started in September and completed in February. 348 or 23% of those are high to critical risks. 97% completed on time. 14 controls were identified we some of these control risks where errors made by staff not understanding the process and not actually internal control failures. More guidance and training going forth. Take away from the process is that it has been really good to formally document internal documents and have policy in place to mitigates. Keeps State and Federal partners satisfied but also helps to fulfill the departments mission.

Petersen: When agencies get onboarded it takes time. Think you are right where you want to be.

7. Framework Project Update - Kerr

A. Board of Regents

- i. Kerr: Continuing progress is happening with the BOR universities. I wrapped up work with the School for the Blind & Visually Impaired and South Dakota Services for the Deaf and now we will get everything finalized for BOR to report in June.

B. Department of Veteran Affairs

- i. Kerr: The Department of Veterans Affairs has been the latest to start framework implementation – I met with Secretary Whitlock and his leadership team on the 13th to kick off the process, and we have all 3 phases of the implementation scheduled. We had the first session on 27th and we plan to wrap up the second week in May. We broke DVA into 3 divisions for this project – Vet Benefits and Services, Vets Cemetery, and State Vets Home. It has been great to work with their group, and I look forward to them reporting in June.

C. Next quarter activities

- i. Kerr: My plan is still to work with BIT this summer on their internal control implementation. I have already been doing research on potential areas of risk and working with some members of their team on prep work, so I am eager to get them on board.

Forney: Thank you to Ally. BOR has been a big project!

Terwilliger: Thank you. BOR was a significant amount of work.

8. Other Discussion Items – Kerr

A. Uniform Subrecipient Agreement Template

- i. The last item up for discussion today centers around updates to the Uniform Subrecipient Agreement Template for some minor formality edits stemming from the change to ALN, or Assistance Listing Numbers (ALN), from Catalog of Federal Domestic Assistance or (CFDA #'s), which are related to Federal programs, projects, services, and activities that provide assistance or benefits. They can be found on federal grant and cooperative agreement award notices and are often used in governmental reporting and auditing. This change happened years ago and CFDA is still referenced in some audit reports but is being phased out more and more. It came to my attention that our Subrecipient Grant Agreement Template didn't have that change reflected, so I made those changes to: 1k, D. Authorized signatures, and Exhibit A to reflect that change. These guidelines and the contract templates are updated and available on the Bureau of Finance and Management website, as well as the Internal Control Boards and Commissions page.

IT WAS MOVED by Petersen, seconded by Sattgast. Approved Uniform Subrecipient Agreement.

B. Re-appointment of Kellie Beck

- i. Terwilliger: Congratulations and thank you to Kellie Beck. Beck's appointment for another term started 03.29.27

9. Agenda Items for Next Meeting

- A. None

10. Public Comment

- A. None

11. Adjourn at 10:54 a.m.

- A. IT WAS MOVED by Beck, seconded by Olson.