

State Board of Internal Control Minutes

Date: 6/30/25

Time: 10:00 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

- Jim Terwilliger called the meeting to order at 10:00 a.m.
- Allysen Kerr called the roll.

Members present:

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

3. Approval of Meeting Agenda

- Motion to approve agenda.
 - IT WAS MOVED by Sattgast, seconded by Tidball-Zeltinger
 - The motion carried with a voice vote

4. Approval of Minutes from Last Meeting

- Motion to approve minutes from March 24, 2025
- Petersen: DLR number updated on meeting minutes
 - IT WAS MOVED by Petersen seconded by Forney
 - 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)

- None.

b) GOAC Update

- May 8, 2025
 - Reviewed:
 - 2024 Brand Board Annual Report
 - Internal Control Board Annual Work Plan
 - Purchase card policy updates (via BHRA)
 - HAVA fund contract and fund structure (Secretary of State)
 - Ally and the Chair presented to GOAC to provide an overview of the board's function, recent updates, and new legislative requirements.
 - Positive engagement with GOAC, including educating new committee members about internal control roles and legislative audit coordination.

c) **Single Audit Findings Discussion – Russell Olson, Auditor General**

- Legislative Audit is a nonpartisan, independent body within the legislative branch.
- Performs audits of all state agencies and coordinates with CPA firms for specific boards and commissions.
- Mission: Enhance public accountability, improve reporting, and strengthen internal controls.
- Established in 1943; Mr. Olson is the sixth Auditor General.
- 2024 Audit Summary:
 - 15 audit comments in total:
 - 8 issued by Legislative Audit
 - 7 from CPA firms (Soybean Research Council, Corn Utilization Council, Wheat Utilization Commission)
- Of the 8 Legislative Audit comments:
 - 3 Material Weaknesses
 - 3 Internal control issues related to financial reporting
 - 1 State compliance issue (Department of Revenue)
 - 4 Federal grant issues:
 - 1 Material weakness
 - 2 Significant deficiency/non-compliance
 - 1 DOT non-compliance
- Key Points:
 - All but 3 comments related to internal controls.
 - Importance of proper internal controls was emphasized.
 - Internal controls help prevent and detect errors or misuse.
 - The board's documentation and internal control structures were praised for supporting the audit process.
 - Legislative Audit works with agencies to identify issues, offer recommendations, and implement corrective actions.

Sattgast: Anywhere for small boards and commission to go to get help with filing financial reports?

Russ Olson: If they feel it's necessary, then they need to hire the individuals to do this. If not, they need to step up and take control themselves.

Petersen: Over the last year with the testing for BISON, what is the system going to look like to conduct review. What are you hearing from your staff?

Russ Olson: Glad to be a consultant. We like a lot of the things we see. Real time. Great step forward for South Dakota

Heather Forney: With the issues DSS had, have they communicated with your team

Russ Olson: Yes. Work with them on an on-going basis. They basically made the choice of bringing in some new individuals, putting an internal control person in place. That individual has been working with my professionals on an ongoing basis, consulting with us, keeping us informed of what's going on, asking us questions.

Terwilliger: What do you think about the legislation the AG put forth?

Russ Olson: The additional resources that were put forward very beneficial. It allows us to basically speed things up and get things going as far as you know, the additional resources and responsibilities for the state auditor in that part of the review process, again very appreciated. It's always cheaper and more efficient to prevent things from happening rather than to detect them and so I'm all about prevention. Anytime we can do anything to prevent.

6. Internal Control Quarterly Report

a) **Statewide:**

- 21 agencies have been fully onboarded, with 5 more currently in progress.
- Onboarded agencies have documented their objectives, risks, and controls, which are reviewed periodically.
- Agencies must attest semi-annually to the effectiveness of controls for high and critical risks.
- The most recent reporting period saw a 99.7% statewide response rate.
- Appreciation was expressed to the agency internal control officers for their efforts.
- Risk assessments are tailored to align with agency-specific strategic plans.
 - **Total risks identified to date:** 9,189
(This includes newly added risks from BIT.)
 - **High and critical risks identified:** 1,883 (≈20% of total risks)
 - **Controls documented and implemented:** 2,612
 - **Control issues identified this period:** 67
 - **Control Issue Process**
 - Each issue is reviewed with the agency's internal control officer to determine:
 - **One-time execution failures** – Closed and monitored for recurrence.
 - **Ongoing or implementation-phase issues** – Assigned a remediation plan, owner, and follow-up date.
 - Each agency's internal control officer will present their individual reports and remediation plans.

b) **Agency**

i. **Bureau of Finance & Management – Morgan Gruebele**

- a. Risks: 187 documented
- b. Completion: 100% attestations on time
- c. Issues: none

ii. **Department of Revenue – Morgan Deis**

- a. Risks: 283 documented
- b. Completion: 100% attestations on time
- c. Issues: 1 control issue

Terwilliger: With the new 605Drive program, do you have better internal controls?

Toni Richardson: There are numerous controls that are included with that system that we did not have with our prior system.

iii. **Department of Tribal Relations – Hallie Willey**

- a. Risks: 124 documented
- b. Completion: 100% attestations on time
- c. Issues: none

iv. **Department of Tourism - Hallie Willey**

- a. Risks: 102 documented
- b. Completion: 100% attestations on time
- c. Issues: 1

- v. **Department of Corrections – Emily Trujillo**
 - a. Risks: 361 documented
 - b. Completion: 100% attestations on time
 - c. Issues: 7. 2 Pheasantland Industries, 5 Security

- vi. **School & Public Lands - Justin Nagel**
 - a. Risks: 78 documented
 - b. Completion: 100% attestations on time
 - c. Issues: none

- vii. **Office of the State Auditor - Rich Sattgast**
 - a. Risks: 64 documented
 - b. Completion: 100% attestations on time
 - c. Issues: none

- viii. **Office of the State Treasurer - Penny Almond**
 - a. Risks: 67 documented
 - b. Completion: 100% attestations on time
 - c. Issues: none

- ix. **Department of Human Services – Tami Darnall**
 - a. Risks: 427 documented
 - b. Completion: 100% attestations on time
 - c. Issues: 5. None repeat.

Darnall: July 9th new DHS control officer starts.

- x. **Board of Regents – Kayla Bossly**
 - a. Risks: 4092 documented
 - b. Completion: 100% attestations on time
 - c. Issues: 13 control issues, 5 in error

- xi. **Bureau of Information & Technology – Morgan Gruebele**
 - a. Risks: 529 documented
 - b. Completion: 98.2% attestations on time
 - c. Issues: 40

Terwilliger: Amada Jost with BIT will be taking over a board seat for Aaron Olson UJS. This change was due to SB 61.

7. Framework Project Update

- a. Kerr: Project updates since our last meeting include finalizing BIT, continuing the implementation process with UJS, DANR, SDRS, and SOS who are all just wrapping up their documents, and starting the process with DOT who is about halfway through the process. It is likely that all will be finished and will report during the next meeting in September.
- b. Many agencies have recently hired designated Internal Control Officers, so Karlee and I have been working closely with them to provide onboarding and training. We will continue to support new hires in the coming weeks as additional officers come on

board. Additionally, I'd like to establish quarterly meetings with all state Internal Control Officers. These sessions will help open lines of communication, promote the sharing of best practices, and ensure ongoing training and support.

c. FY26 Work Plan

- The FY26 work plan maintains the structure of the previously approved plan.
- Quarterly meeting agendas will include: sub-recipient audit findings, single audit findings, GOAC updates, quarterly internal control reports, and agency framework implementation updates
- March: Single audit report is issued. June: Legislative Audit will present findings
- Three agencies (GOAC, BHRA, ATG) remain to begin implementation. Start dates are TBD, but communication is ongoing. Full implementation expected by the end of the calendar year.
- In line with statutory requirements, all agencies must conduct annual RCM risk assessment reviews. Relevant documents were distributed to agencies last week. Reviews are expected to be completed within the next year. Control testing is scheduled to begin next year, after risk assessment documents are reviewed and updated.

Forney: Will you have the agency internal control officers test? With just Ally and Karlee it is just too much work for two people

Kerr: I see a lot of value in having those internal control officers in the agency. So, one, they have the ability to observe everything going on in the agency. And two, they're going to have user access to systems. We plan to put together just some high-level guidance on how we select controls to test, maybe have some criteria whether it be materiality, single audit findings, high turnover areas, just some basic guidelines and then kind of kicking that over to the internal control officers to go in and select those controls to test. I foresee them doing the testing work, us providing guidelines to them though, but we would have general oversight.

Terwilliger: there was one more FTE added. Then there would be an office of 3.

Forney first to approve work plan seconded Petersen

Terwilliger: UJS is not under the umbrella with the passage of SB61

Kerr: UJS and SDRS are still using Ally's services

8. **Other Discussion Items**

- Petersen: SB 60 and 61 resources available.

9. **Agenda Items for Next Time**

10. **Public comment**

- Chet Ellsworth, Rapid City, SD

11. **Adjourn meeting at 11:18 AM**

- IT WAS MOVED Petersen, seconded by Forney.