

# State Board of Internal Control Meeting Minutes

**Date:** December 20<sup>th</sup>, 2021

**Time:** 11:00 AM

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

## 1. Roll Call of Board Members

- A. Liza Clark called the meeting to order at 11:00 AM
- B. Allysen Kerr called the roll

Members present:

- i. Kellie Beck – DOT
  - ii. Liza Clark – BFM
  - iii. Heather Forney – BOR
  - iv. Greg Sattizahn – UJS
  - v. Brenda Tidball-Zeltinger – DSS
  - vi. Chris Petersen – GFP
  - vii. Rich Sattgast – State Auditor
1. Quorum is present

## 2. Approval of Agenda

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

## 3. Approval of Minutes

- A. Motion to approve minutes from September 28<sup>th</sup>, 2021.
  - i. IT WAS MOVED by Petersen, seconded by Sattgast.
  - ii. The motion carried with a voice vote.

## 4. Recurring Discussion Items

### A. Sub-recipient Audit Notifications from DLA (SDCL 1-56-9)

- i. **Department of Transportation** – Jack Dokken- This was for the Community Transit of Watertown-Sisseton, Inc. (CTWSI). There were 3 different findings.

- 1. The first finding was a material weakness in internal control over compliance regarding SEFA calculation errors of federal expenditures. They have since implemented a new review process to ensure correct reporting of federal expenditures using a spreadsheet for tracking.
- 2. The second finding was a significant deficiency in internal controls over compliance. CTWSI had trouble identifying where grant payments were coming from and the tracking of payments/expenditures per the agreement. CTWSI made a

grant reimbursement form that identified the agreement and the expenditure.

3. The third finding was a significant deficiency in internal control over compliance. In this finding invoices were being paid without the proper initials on payments, so CTWSI implemented a system to ensure those payments are not being paid until they have received the proper approval/signature/initials on every invoice. The contracted bookkeeper will also review the invoice and let CTWSI staff know if initials are missing on any invoices.

Forney- DOT and CTWSI have been very responsive in the resolution of these items. There seems to be a lot of manual tracking. Is there anything available to streamline the process to make it less manual?

Dokken- The DOT is currently looking at some grant management software. To my knowledge, CTWSI don't have anything on hand that they can't create themselves.

**ii. Department of Transportation – Jack Dokken-** This was from the Brookings Area Transit Authority (BATA).

1. The first finding was a material weakness over lack of segregation of duties which is a pretty common finding, but this finding was concerning for the DOT. This particular finding dates back to 2015 and DOT was not aware of it until this audit. DOT is requiring that BATA update their entire internal control procedures indicating who is responsible for internal controls. We also want to make sure that they have measurable way to indicate they are following procedures. BATA has indicated they need help with these findings, so they have hired a third party to help them. This finding has prompted the DOT to look at their own procedures as well, and we are not requiring out transit agencies to submit corrective action plan immediately to DOT in addition to DLA after completion.

Petersen- I really like the idea of engaging a third party. In most cases, we see the Authorities doing a good job of doing day to day operations but when it comes to actual financial statement preparation, they rely on the auditor to do those. I think that they will get good guidance and really prevent some of those audit findings in the future.

Forney- I would like to commend DOT for saying that they need a little more here. I think that is very responsible of agencies who are disseminating our federal grant dollars to subrecipients taking their job very seriously, and I appreciate that. I am curious as to why you receive this audit finding so late?

Dokken- I don't know the answer to that. I think our new plan of having them send the corrective action plan directly to us will remediate this issue going forward.

## B. GOAC Update

- i. Liza updated on the two meetings GOAC had since the last SBIC meeting.

Clark- They have had several agencies give their performance measures and their annual reports. We did have to give an overview of the State Board of Internal Control and our annual Work Plan to them. It was a new committee, and they asked several questions on repeat findings, so we discussed our internal policies and procedures for that. They also asked how it all works, how do we decide which agencies come, what do we do with agency turnover, etc. We talked about time of year, agency capacity, which agencies are busy during session, which have new finance officers or cabinet secretaries that maybe need a little more time.

## 5. Internal Control Quarterly Report

### A. Statewide

- i. Kerr- We have successfully rolled out to seven agencies, BFM, DOR, DANR, GFP, DTR, Tourism, and DOC. Overall, we had a 100% response rate on the control owner attestations this quarter. As a state we have identified 1,449 risks – 61% fall into the operational category. Those are going to be your risks aligned to achieving your agency, program, and functional objectives. Additionally, we had 17% of those fall into the high or critical risk category. 386 controls have been identified to date for these agencies.

### B. Agency

- i. **Bureau of Finance & Management:** Matt Flett- We continue to leverage the GRC software which all of these others are using as well. We like that it is a very streamlined system. All control owners receive emails if they need to do something. BFM had 187 risks which is unchanged from the last report. 100% of our control assessments were completed on time.

- ii. **Department of Revenue:** Bobi Adams- We have had a lot of changes in the numbers. We had a failure rate of 3%, and I am here to report on those. In our property tax division, we wanted to create a visual aid to help taxpayers understand the productivity system. While this would help landowners and county officials understand the productivity system, it is not be a good long-term solution. We are actually moving forward with a software solution to eliminate manual processes. The second failure was in cross training our staff due to large turnover. We have created a plan to remediate this and will move forward with that. Another failure we had was in regard to an open records request within our Admin Office. We had an employee get within the 10-day time period. We have worked to ensure additional steps to ensure we comply going forward. The last one we have to report on is within the Business Tax team. This was in regard to our policy of depositing checks that are over \$500 within the next

business day. We have put additional steps which is to scan that check in and this makes sure that everyone is aware of it and moved them into our Cedar tax system. We have also enabled our field offices to scan checks as well.

Tidball- Zeltinger- How is the remote deposit happening, is it with First Premier?

Adams- Yes.

Forney- I want to say thank you for your efforts on utilizing the technology that is available to you to streamline some processes.

**iii. Department of Tribal Relations** Andrea Gaede- We still have 187 risks identified this reporting period – 69.3% are operational. All of our attestation were completed on time, but we did have one control issue which has now been fixed. We now have all personal professional plans, but also incorporated cultural trainings as well. We have had huge improvements on our call logs with the help of BIT and are excited for the change.

**iv. Department of Tourism** Wanda Goodman- We have 102 risks and most of them fall into operational, and the rest fall into public perception and some financial as well. We have five each in high and critical. I am happy to announce that we did have 100% of our self-reports done on time. I will say that we did have one risk which was in the Arts Council response. This work has been ongoing for the last couple of reporting periods. We did put some additional controls in place for this as well with help from the Advisory Council.

Petersen- It looks like your agency was able to take the previous results and getting a lot better. Any insight on how you did to move that forward and improve?

Goodman- I think that we did a good job of showing the employees how important this all is, and it was pushed a little heavier this time around.

**v. Department of Corrections** Danna Humig- We implemented internal controls this fall and divided our agency into nine different divisions for this process. Within these areas we identified 350 risks, 19 being high and 1 being critical. We had 100% of our self-assessments completed on time. We did have three controls that we did not fully meet due to some staff turnover, so it was hard to get everyone fully up to speed. We have now made sure to document all processes and get controls in place.

Petersen- When you did your onboarding process, did you guys use Guidehouse and Teams?

Humig- We used Guidehouse and had a lot of meetings over Microsoft Teams which worked great as we were going through an office remodel and home anyway.

**6. Framework Project Update**

**A. Department of Military Kerr-** We wrapped up with them on December 8<sup>th</sup> and look forward to their reporting next quarter. This was one of the most unique agencies so far because they are essentially a required service delegated by the federal government, so they have both federal and state employees. We spent a lot of time discussing their controls and which were in the state's control. We broke their agency out into three divisions: the Adjutant General's Office, Air Guard and Army Guard. I look forward to having them report at our next meeting in March. In addition to planning future implementation, we are waiting working on extension of the PwC contract and the INRY contract. We are awaiting implementation of framework for the offices of School and Public Lands and the Office of the State Auditor.

**7. Other Discussion Items**

Clark- This will be my final meeting so thanks for all your work on this committee. Jeff Partridge will be my replacement for now, so either him or Keith Senger will chair the next meeting.

Tidball Zeltinger- I just want to say thank you to you, Liza. Thank you for your leadership and public service. You have had a lot of contributions for state government as a whole that will have lasting impacts.

**8. Agenda Items for Next Meeting**

**9. Public Comment**

**10. Adjourn at 11:36 AM**

**A. IT WAS MOVED** by Tidball-Zeltinger, seconded by Sattgast

Note: This meeting is being held in a physically accessible location. Individuals with disabilities who require a reasonable accommodation in order to participate in the meeting should contact the Bureau of Finance and Management at 605-773-3411. Please request the accommodation at least 2 business days prior to the meeting.

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