

State Board of Internal Control (SBIC)

Capitol Building 4th Floor Room 414

November 22, 2017

9:33 am to 10:07 am (CST)

Clark called the meeting to order:

Today's meeting is being broadcast live and will also be archived on Boards and Commission Portal (<http://boardsandcommissions.sd.gov/>)

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1. Roll Call of Board Members

- A. Keith Senger called roll. Members present:
 - i. Steve Barnett – State Auditor
 - ii. Tamara Darnall – DOE
 - iii. Monte Kramer – BOR
 - iv. Aaron Olson – UJS
 - v. Laura Schaeffer – DSS
 - vi. Kari Williams – DOH
 - vii. Liza Clark – BFM
 - viii. Greg Sattizahn was excused
 - a. Quorum is present

2. Approval of Agenda

- A. Motion to approve the agenda
 - i. IT WAS MOVED by Williams, SECONDED by Kramer to approve the agenda. The motion carried with unanimous voice vote

3. Approval of Minutes

- A. Motion to approve minutes
 - i. Kramer proposed word changes:
 - a. Page 2, item F statement by Lieutenant Governor change “Will Tyler’s office will send” to “Will Tyler’s office send”
 - b. Page 3, section 8, item B change “Keith Senger will again be filing” to “Keith Senger will again be filling”
 - ii. IT WAS MOVED by Olson, SECONDED by Kramer to approve the minutes as amended. The motion carried with unanimous voice vote

4. Recurring Discussion Items

- A. Sub-recipient Audit Notifications from DLA (SDCL 1-56-9)
 - i. Senger – Feeding South Dakota
 - a. Letter dated 11/6/17 received by DOE and SBIC from DLA regarding audit findings
 - b. Page 32 of PDF shows the Schedule of Expenditure of Federal Awards (SEFA). Feeding SD spent about \$2.5 million from the US Department of Agriculture grant that is passed through the SD Department of Education. Of the \$2.5 million, \$1.9 million is passed on to subrecipients

- c. Discussed finding 2017-001 regarding subrecipient monitoring. Feeding SD was unable to provide accurate list of participants receiving food boxes for one month. Did not retain sufficient documentation. Feeding SD responded that more verification and internal training will be completed
- d. Discussed in prior SBIC meeting the FY16 audit's two findings. Those have been followed up on by the auditor's conducting the single audit, so it is safe to assume they have been resolved
- ii. Senger – Lutheran Social Services (LSS)
 - a. Letter dated 11/9/17 received by DSS and SBIC from DLA regarding audit findings
 - b. Page 34 shows the SEFA. Entity receiving direct grants from the Federal government and pass through grants from DOH, DSS, DOE, and other non-state entities. Of the \$4.3 million received, \$200K was passed through to subrecipients
 - c. There were six audit findings beginning on page 43
 - 1) Findings 2017-A and 2017-B were financial statement related
 - 2) Findings 2017-002 and 2017-004 do not apply to grants passed through from the State
 - 3) Findings 2017-001 and 2017-003 related to DSS. Both findings related to allowable costs, matching errors, and lack of documentation
 - iii. Plan to have DOE and DSS discuss these at the next meeting
 - iv. Kramer – on page 34/35, does this mean the original award went to the US Department of Health and Human Services (US DHHS) and was passed through to LSS?
 - v. Senger – No, these are direct awards from US DHHS
 - vi. Lieutenant Governor Michels – Far right subrecipient column is the amount passed through from LSS to their subrecipients
 - vii. Kramer – The far column is the amount LSS passed through to their subrecipients, and the total \$4.3 million is the amount that LSS spent?
 - viii. Senger – Correct
- B. GOAC Update (8/29/2017, 10/5-6/2017, and 10/30/2017)
 - i. Clark – summarized the GOAC meetings. Discussed drafted legislation, but no action has been taken by GOAC. BFM will follow up through the legislature and will update the SBIC at the next meeting

5. Code of Conduct for Boards and Commissions

- A. Ann Holzhauser (ATG) – have worked with Aaron Arnold on editing the Code of Conduct. Ready to go out to the various councils for boards and agencies. Anticipate will be able to present at the next meeting

6. State Agencies Posting of Grant Agreements on OPEN SD

- A. Clark – Agencies are required by law passed for the SBIC to post their grant agreements to OPEN SD. Statewide Internal Control Officer should be reviewing and following up on postings by agencies. Keith Senger currently filling in
- B. Senger – currently pulling statistics from the website. In FY17, 2,322 grant agreements were posted. In process of contacting agencies where variances have been found between FY17 and FY18 first quarter

7. Other Discussion Items

- A. Clark – Subrecipients are required by law to post their 990s on their website. BFM is contacting internal control officers to make sure review for 990s is being done, but want to make a formal process. Looking for suggestions

- B. Clark – Discussed conflict of interest policy being made available to employees. BFM is currently asking agencies how they are following up to make sure employees are aware of the conflict of interest policy. BFM and BHR will work together to determine if this will continue to be done by agencies or as a statewide process. This should be reviewed yearly
 - i. Kramer – asked to include BOR in this process. BOR only informs certain classifications of employees, but does have the policy in their handbook
- C. Kramer – asked about update regarding UGG workgroup's ongoing risk assessment
 - i. Senger – workgroup has a draft. Believe it is another tool to help with monitoring, but not an ongoing risk assessment. CAFR has pushed back further discussions on this
- D. Lieutenant Governor – As an internal control system matures, it is not uncommon to find human resource issues along with internal control issues. Would strongly encourage the internal control teams to reach out to their HRM to discuss certain items such as EAP programs and harassment training
- E. Kramer – Are we holding off on the contract for the internal control system review until the Statewide Internal Control Officer position is filled?
 - i. Clark – Yes and also working on the terms of the contract

8. Agenda Items for Next Meeting

- A. None
- B. Clark – Will be meeting quarterly, but can meet sooner if needed

9. Adjourn

- A. IT WAS MOVED by Darnall, SECONDED by Schaeffer to adjourn. The motion carried with unanimous voice vote