

FINANCE AND AUDIT COMMITTEE AGENDA

Commission of the South Carolina Department of Disabilities and Special Needs
3440 Harden Street Extension
Conference Room 251 (SKYPE)
Columbia, South Carolina

November 2, 2020

3:00 p.m.

In attendance: Robin Blackwood, Chair; Barry Malphrus; Ed Miller; Gary Lemel; Mary Poole; Pat Maley; Rufus Britt; Chris Clark; Kevin Yacobi; Andrew Tharin; Kim McLeod; Brian Nanney; and Debbie Wilson

1. Call to Order *Robin Blackwood, Committee Chair*

[The meeting was called to order at 3:02pm.](#)

2. Statement of Announcement *Robin Blackwood, Committee Chair*

3. Adoption of the Agenda

[Brief Summary:](#) Agenda was presented.

[Committee Member\(s\) Guidance \(if any\):](#) None

[Committee Vote\(s\) \(if any\):](#) Commissioner Miller made a motion to accept the agenda as presented, seconded by Commissioner Malphrus and unanimously approved by the committee.

4. Review Minutes of the August 6, 2020 and October 12, 2020 Meetings

[Brief Summary:](#) The August and October 2020 minutes were presented to the committee for approval.

[Committee Member\(s\) Guidance \(if any\):](#) None

[Committee Vote\(s\) \(if any\):](#) On a motion by Commissioner Miller, seconded by Commissioner Malphrus, the committee unanimously approved the minutes from the August 6, 2020 meeting. On a motion by Commissioner Miller, seconded by Commissioner Malphrus, the committee unanimously approved the minutes from the October 12, 2020 meeting.

5. Capital Project Review/Approval – Coastal Electrical Grid *Chris Clark/Andrew Tharin*

[Brief Summary:](#) Chris laid the groundwork for this topic and then asked Andrew to discuss the specifics. Andrew informed the committee that the electrical grid at the Coastal Center was installed in 1966 and has exceeded its useful life expectancy. The plan is to update the system based on current code and then handover to Dominion Energy. In April, the transformer blew and just recently one of the two circuit breakers blew at a substation; which will be replaced at a cost of a little over \$50,000. They are currently finding parts for the system which are typically

refurbished parts because new ones are not made anymore. This is considered a Comprehensive Permanent Improvement Plan (CPIP) project and will hopefully be on the agenda for the Joint Bond Review Committee (JBRC). The Committee is asked to approve the submission of the A-1 Package and authorizing Phase I to be implemented. Funding for the project is approved for it to be completed within the required two year period.

Committee Member(s) Guidance (if any): Commissioner Miller recommended that Andrew contact one of the executive staff members at Dominion Energy, Mr. Leo Lanes.

Committee Vote(s) (if any): Commissioner Malphrus made a motion to approve the submission of the plan (A-1 Package) and Phase I, seconded by Commissioner Miller and unanimously approved.

6. Internal Audit Charter (275-05-DD) – Public Comment Kevin Yacobi

Brief Summary: Kevin reminded the committee that this item was on last month's agenda and went out for public comment. There was only one person to comment.

Committee Member(s) Guidance (if any): None.

Committee Vote(s) (if any): Commissioner Malphrus made a motion to approve the small recommended change and have this item placed on the agenda for the next Commission meeting for approval, seconded by Commissioner Miller and unanimously approved by the committee.

7. External Peer Review Costs *Kevin Yacobi*

Brief Summary: Kevin contacted the Institute of Internal Auditors for an estimated cost for them to come in and do the external assessment at a cost of \$27,600 or the cost for a self-assessment and they send in an external party to validate at a cost of \$14,800. These estimates are only for one year and the agency is not due for another review until 2022.

Committee Member(s) Guidance (if any): Commissioner Malphrus noted that he would like to have the full external assessment done for the next review. Commissioner Blackwood reminded Kevin to build a calendar indicating all the specifics for the review.

Committee Vote(s) (if any): None.

8. HHS Admin Contract Update *Chris Clark*

Brief Summary: Chris briefed the committee on two components to the Admin Contract. The first component which began in October 2014 and ends on June 2020; the other component begins on July 2020 and ends on June 2025. Mary will be sending the 2014 signed contract to all Commission members prior to the next meeting. Director Baker may try to attend the next Commission Meeting.

Committee Member(s) Guidance (if any): None.

Committee Vote(s) (if any): None.

9. PPP/Other COVID Funding Communication

Chris Clark

Brief Summary: Chris reviewed the revised October 30, 2020 Executive Memo regarding the proper accounting for COVID Crisis Federal Funding. Chris also mentioned that there was a Provider meeting on October 29, 2020 to review the guidance.

Committee Member(s) Guidance (if any): Commissioner Miller asked what would be DDSN's obligation if the loans were called, to which Chris responded that there is no obligation to DDSN because all Providers are their own legal entity. Commissioner Malphrus noted that DDSN has to make sure these Providers do not double dip.

Committee Vote(s) (if any): None.

10. Auditor Training

Chris Clark

Brief Summary: The mandatory/highly recommended Training was added to the Directive. Chris and his team have set up two sessions of training for private providers (November 16, 2020 from 2:00 – 4:00 PM and December 3, 2020 from 9:30 – 11:30 AM). Commission members are encouraged to attend. There may be an additional training in February 2021.

Committee Member(s) Guidance (if any): None

Committee Vote(s) (if any): None.

11. Cost Reports Update

Chris Clark

Brief Summary: Chris noted that the 2017 Cost Reports was being worked on when he started at DDSN. Myers & Stauffer, LLC has been assisting with this report and is working for SCDHHS. We finally have a finalized 2017 Cost Report that will be signed at the end of this week. We have about \$48 million of excess cost in the system, which largely consists of about \$18 - \$20 million worth of other post-employment benefit liability accruals and unfunded pension accruals. Therefore, we have approximately \$30 million in excess costs that our Providers and we are incurring related to operating the Regional Centers. Myers & Stauffer, LLC is currently working on the 2013 Cost Report now. Afterwards, they will begin working on the 2014 and 2015 Cost Reports. For the year ended June 30, 2020, we should have filed a Cost Report by the end of November; however, we have been advised to work the old Cost Reports first. DHHS is paying for the preparation of 2013, 2014, 2015, and 2017; but we have to pay for 2018 and all future Cost Reports. Debbie Wilson is rebuilding our cost analysis division and we have advertised for a cost report position. Currently, the Agency has contracted with Chris Legourd to assist us in doing our own cost reports again. Chris used to work for the Agency for many years and prepared the Agency's cost reports.

Committee Member(s) Guidance (if any): None

Committee Vote(s) (if any): None.

12. Contracts over \$200,000 *Chris Clark*

Brief Summary: Two Providers are filling residential vacancies, Babcock Center and Tri-Development Center and the total increases exceed \$200,000.

Committee Member(s) Guidance (if any): None

Committee Vote(s) (if any): Commissioner Malphrus made a motion to accept these contracts over \$200,000, seconded by Commissioner Miller and unanimously approved by the committee. This item will be on the agenda for approval at the next Commission Meeting.

13. Chief Financial Officer Report *Chris Clark*

Brief Summary: The Provider quarterly fiscal basic training will be November 5, 2020 beginning at 9:00 AM. Commission members are encouraged to attend. The Agency is making a lot of progress on Band B & I fee for service. Mary announced that the Agency is working with a group of Providers to get their thoughts on how this conversion will impact them. Pat spoke about the White Paper Analysis that was completed and sent to the Provider network for feedback and input prior to the next full Commission meeting.

A corrective action plan was sent to Internal Audit in response to their review of the Specialized Family Homes (SFH) program. The primary issue is that the Agency needs to redo its solicitation and get all the problems fixed because there are a lot of issues with this contract.

Richard Eckstrom meeting went well. The feeling was that he seemed to support our efforts to transfer the Whitten Center land. The sixty houses were discussed as well and he requested additional information that we are pulling together for him. The Agency is still waiting to hear back from Representative Murrell Smith's office to answer his questions.

Committee Member(s) Guidance (if any): Commissioner Malphrus noted that we should emphasize giving these sixty houses to Providers will free the Agency from any liabilities regarding them. Additionally, Mary noted that these are not marketable pieces of property, but that maintaining them for services is very useful to the Providers. Commissioner Miller advised that we restructure some of our proposal to clear up any questions and highlight some of the key issues that seems to be causing some questions.

Committee Vote(s) (if any): None

14. Director of Internal Audit Report *Kevin Yacobi*

Brief Summary: Kevin will send the audit report and the corrective action plan for Specialized Family Homes to all members of the Commission prior to discussing at the next Commission Meeting. He will include discussion of the peer review costs in his monthly report at the meeting.

Committee Member(s) Guidance (if any): None.

Committee Vote(s) (if any): None.

15. Adjournment *Robin Blackwood*

Commissioner Miller motioned to adjourn and seconded by Commissioner Malphrus at 4:13 P.M.