

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

February 1, 2021

3:00 p.m.

In attendance: Robin Blackwood, Chair; Barry Malphrus; Ed Miller; Stephanie Rawlinson; Gary Lemel; Mary Poole; Chris Clark: Kevin Yacobi; Rufus Britt, Candis Golston and Debbie Wilson

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

The meeting was called to order at 3:03pm.

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

Commissioner Blackwood read a statement of announcement about the meeting that was distributed to the appropriate media, interested persons, and posted at the Central Office and on the website in accordance with the Freedom of Information Act.

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 January 4, 2021 Meeting

Brief Summary: The January 4, 2021 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 November minutes as written.

5. Capital Purchases – Vehicle Replacement Plan *Chris Clark*

Brief Summary: Mr. Clark gave an overview of the State Fleet vehicles at the Regional Centers. Of the 124 vehicles the agency operates, 79 of them are over 15 years old. Our goal is to develop a vehicle replacement plan to address the dilapidated fleet. The initial plan is to replace 12 vehicles (three from each Regional Center) right now. The vehicles being replaced are anticipated to sell for an estimated \$12,932. These 12 vehicles will be replaced 12 ADA vehicles at an estimated cost of \$814,588, but not expected to exceed \$825,000. The Commission has already

approved a capital budget amount of \$1,520,000 for vehicle purchases during FY2021. As required by the Commission, each purchase under the approved capital budget must be presented and approved individually before the project is initiated. Mr. Clark asked that the Committee approve purchasing the 12 vehicles and financing the anticipated purchase price net of the anticipated sales proceeds from the disposals. He also requested approval for the disposal of the 11 remaining vehicles to be replaced through state surplus disposal.

Committee Member(s) Guidance (if any): Commissioner Blackwood asked if there were leasing programs to consider. The total cost of ownership is less purchasing than leasing. He stated that he had run numerous lease/purchase calculations in his career and rarely did leasing come out more advantageous. Leasing will sometimes come out better using state fleet for low mileage vehicles, but not using leasing options offered by for-profit entities. Mr. Clark replied that State Fleet is ending their ADA lease program and he has researched leasing from other entities, such as Enterprise. He stated he would be happy to run the analysis if the committee desires him to do so. Since state fleet is not leasing ADA vehicles, he can pretty much guarantee the outcome of the analysis. Commissioner Malphrus stated that he is not opposed to borrowing money for 12 new vehicles but he does not want the agency to continue to ask to borrow more money. Mr. Clark replied that the agency has \$7.3 million in its capital budget and only \$1.8 million can possibly be financed since only movable assets can be financed. Round two of financing only vehicles will be reviewed at a later committee meeting and the total amount (between this round and the next round of purchases) will not exceed the \$1,520,000 approved by the Commission for vehicle purchases. Commissioner Miller asked that the recall history be checked on all vehicles purchased since he has had issues with the Transit vehicles.

Committee Vote(s) (if any): On a motion by Commissioner Miller, seconded by Commissioner Malphrus, the committee unanimously approved the agency purchasing 12 new State Fleet vehicles for an amount not to exceed \$810,000 through the State Master Lease Program. Also, disposal of the remaining 11 vehicles was approved.

6. Directives for Approval

Chris Clark

Brief Summary: Directives 200-01-DD – Personal Funds Maintained at the Residential Level and 200-09-DD – Fees for Residential Services in ICF/IID Facilities’ external review period of 10 days is complete. Directive 103-01-DD – Federal Grant Application and Change Policy is presented to the committee to vote on marking it obsolete as such language will appear in 800-03-CP – Executive Limitations Policy. There was one noted comment in 200-01-DD concerning the number of staff present when monies are removed from petty cash; essentially, the consumer has to always be present with at least one (1) staff member. If the consumer is not present, another staff person must witness the withdrawal of funds. No changes to the directive are recommended as a result of the public comment.

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

Committee Vote(s) (if any): On a motion by Commissioner Malphrus, seconded by Commissioner Miller, the committee unanimously approved directive 200-01-DD as presented. On a motion by Commissioner Malphrus, seconded by Commissioner Miller, the committee unanimously approved directive 200-09-DD as presented. On a motion by Commissioner Miller, seconded by Commissioner Malphrus, the committee unanimously approved to mark directive 103-01-DD as obsolete because it will be built into policy number 800-03-CP for presentation to the Commission in June.

7. Directives Coming to Committee in March with Staff Recommendations *Chris Clark*

Brief Summary: Mr. Clark referenced directives 250-10-DD – Funding for Services and 334-02-DD – Use of DDSN Regional Center Facilities by Outside Groups and Off-Duty Employees as two directives that will be presented at this committee meeting in March after staff members have recommended their changes.

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

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

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

Brief Summary: Mr. Clark presented the contract amendments over \$200,000 for approval by the committee. Detailed discussion ensued and there were no questions asked.

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

Committee Vote(s) (if any): Commissioner Malphrus made a motion to accept the contract amendments over \$200,000 as presented, seconded by Commissioner Miller and unanimously approved by the committee.

9. Audit Directives Discussion *Chris Clark*

Brief Summary: Mr. Clark mentioned that he and Mr. Yacobi will meet later this week to discuss the mandatory auditor rotation and cost reports among other audit directive amendment. There may be a recommendation to apply fiscal penalties for not submitting cost reports in a timely manner.

Committee Member(s) Guidance (if any): Commissioner Malphrus agreed that there has to be some type of major fiscal penalty applied to boards who do not submit cost reports by the deadline.

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

10. Procurement Audit – Corrective Action Plan *Kevin Yacobi*

Brief Summary: Mr. Yacobi discussed the report and the Corrective Action Plan (CAP) in detail. Ms. Golston expressed her concerns regarding the Procurement Card (P-Card) and is working on a policy revision to include procedures address those areas noted in the audit.

Committee Member(s) Guidance (if any): Commissioner Lemel questioned why the agency has not completed an agency-wide or central office audit of the P-Card, to which Mr. Yacobi replied that the Internal Audits Division (IA) looks at P-Card usage throughout the centers but never before at central office. Commissioners present agreed that this should be a standard internal control. Commissioner Rawlinson would like for the P-Card policy to state that if users do not get their information in monthly, their P-Card will be deactivated. Commissioner Malphrus asked

that an update on the Procurement Policies and Procedures' Manual be presented to this committee in a few months.

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

11. Provider Fee for Service (FFS) Loan Program *Chris Clark*

Brief Summary: Mr. Clark presented the proposed Fee for Service Provider Short-Term Cash Flow Loan Parameters. Detailed discussion ensued regarding the process by which the loan program will be administered.

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

Committee Vote(s) (if any): There were two motions on the table: Commissioner Malphrus made a motion to include the following: 1) have the executive director and [DSN] board chair sign off on all loans; 2) the loan amount should not exceed the board's budget size; and 3) that there be a denial and grievance procedure. Commissioner Miller seconded the motion, which was unanimously approved by the committee. Commissioner Miller made a motion that all loan requests must be brought to the Finance & Audit Committee and then the full Commission; however, in the event of an emergency, the loan request can be approved by either entity but must be ratified by the Commission if approved by the Finance & Audit Commission. Commissioner Malphrus seconded the motion, which was unanimously approved by the committee. These two motions will be presented to the Commission for approval.

12. Governor's Budget Recommendation/House Budget Presentation *Chris Clark*

Brief Summary: The House Budget Hearing was held on January 29, 2021. Mr. Clark clarified that the Governor's budget "awarded" to DDSN was to transfer monies from DHHS budget, which is what DHHS is obligated to do. The other clarification is that the \$2.5 million from Greenwood Genetic Center is a pass through for them. None of our budget priorities were addressed other than the first filled slots funding transfer from HHS. Director Poole briefed the committee on the presentation and the additional request from DHHS to raise the agency's single residential rate.

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

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

13. Cost Reports Update *Chris Clark*

Brief Summary: Until the cost reports are caught up, Mr. Clark noted that this will be a standing agenda item. The agency has hired someone to work in the finance department that will work exclusively with cost reports. Tons of data is still being exchanged with Myers and Stauffer for 2013-2015 cost reports. The agency is working on 2019 and 2020 cost reports now.

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

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

14. Chief Financial Officer Report *Chris Clark*

Mr. Clark announced that Melisa Galasso with Galasso Learning Solutions has been hired again this year to continue training of providers and their CPAs on accounting and auditing topics. This is a continuation of our efforts made to educate our provider network. Anyone can sign-up on the finance and audit resources page. There will be four (4) two-hour sessions.

The agency has received approval from the interim DHHS Director, Thomas Clark Phillip to begin billing them for our administrative costs. DHHS has sent the agency \$425,000 for Electronic Visit Verification (EVV) incurred penalty for missing the start deadline. The two agencies are working on a target date to implement EVV.

Lastly, the agency will continue to get the increased 6.2% FMAP until June 2021.

15. Director of Internal Audit Report

Kevin Yacobi

Mr. Yacobi commenced by stating the final report on the Midlands Center's payback for DOL compliance issued under the Workforce Innovation Opportunity Act has been completed. The total payback was \$132,000. The consumers were paid over a period of 21 months. Internal Audit has reviewed all regional centers and their compliance with DOL. There was only one (1) person with one (1) center that had to give a small payback amount. Lastly, the case management survey is complete with an 84% response rate of which only 15% are considering moving away from case management; more so due to conflict-free case management requirements.

16. Adjournment

At 5:19 PM on a motion by Commissioner Malphrus and seconded by Commissioner Miller, the meeting was adjourned.

17. Next Meeting Date

The next meeting of the Finance & Audit Committee will take place on Monday, March 1, 2021 at 3:00 PM.