

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

October 12, 2020

3:30 p.m.

In attendance: Robin Blackwood, Chair; Barry Malphrus; Ed Miller; Stephanie Rawlinson; Gary Lemel; Mary Poole; Pat Maley; Chris Clark; Kevin Yacobi; Brian Nanney; and Michael Mickey

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

[The meeting was called to order at 3:39pm.](#)

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 Blackwood made a motion to move VDI Computer Project Approval (item 14) to the first discussion item after approval of minutes (item 5). This motion was seconded by Commissioner Miller and unanimously approved by the committee members.

4. Review Minutes of the August 6, 2020 and September 14, 2020 Meetings

[Brief Summary:](#) Minutes of the prior two meetings were presented.

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

[Committee Vote\(s\) \(if any\):](#) Commissioner Malphrus asked that his comments regarding not borrowing money for the lease program be placed in the August meeting minutes before approving. That portion of the minutes should read, "If they (legislators) want us to fix the problem, they should give us the money. They [sh]would not expect us to borrow money." He also noted that this information should have been placed in the September meeting minutes as well explaining why the August meeting minutes were tabled and it was not. Commissioner Malphrus made a motion to accept the changes to the August minutes as he has outlined, motion seconded by Commissioner Rawlinson and unanimously approved by the committee members. On a motion by Commissioner Blackwood, seconded by Commissioner Miller, and unanimously approved by the committee, the September 14, 2020 meeting minutes were approved as written. Once the modifications are made to the August meeting minutes, they will be sent to Commissioner Malphrus for approval and then brought back to the committee for final approval.

5. VDI Computer Project Approval

Chris Clark

Brief Summary: Chris introduced Michael Mickey as the Agency's new Chief Information Officer. He briefed the committee on the Virtual Desktop Infrastructure (VDI) Computer Project in terms of what it is and benefits as it relates to the workforce satisfaction/efficiency, security enhancement, resource allocation, and projected savings for the Agency. Soon, the Agency will be faced with replacing our current server at a cost of \$370,000. With VDI, there is a projected 5 year cost savings of \$1.5 million. Included in the savings figure is the impact of being able to reallocate existing staff resources. Without VDI, we will need to hire additional IT staff members to meet our needs. With VDI we can repurpose existing staff. Without staff savings, the project is still projected to save the Agency \$500,000 over the next 5 years.

Committee Member(s) Guidance (if any): Commissioner Malphrus asked if there are other state agencies using this software. The Department of Administration (DOA) uses this software for remote users. Chris noted that any software/technology purchase must be approved by the Division of Technology (DTO) and subsequently DOA. Chris noted that currently, we have remote staff (over 80) using their personal computers and Microsoft Office 365 software. With the use of personal computers we have concerns related to confidentiality and protection of Protected Health Information. With VDI, it closes the loop by using web enabled technology in a secure manner. Commissioner Malphrus asked if the Agency will own this technology. Michael indicated that we would own all of the hardware and software. Michael added that if approved, the Agency will purchase the license for this technology. Commissioner Miller stated that this is an excellent system. Commissioner Malphrus asked if the Agency sought other contractors for similar software to which Michael responded that this system is a part of the state contract and supported by DTO. Commissioner Malphrus would like to know who else uses this system and how they like it. Michael stated that most progressive organizations have adopted this software. Commission Miller stated that even the military has implemented systems like this one. Commissioner Miller spoke to reducing exposure and expressed that the FBI, the IRS, the CIA, the Military, and others use systems like this.

Committee Vote(s) (if any): None

6. Internal Audit Committee Charter

Kevin Yacobi

Brief Summary: Kevin pointed out that there were not many changes from the documents that were sent out a month or so ago. He did obtain documents from both MUSC and Clemson.

Committee Member(s) Guidance (if any): Commissioner Blackwood noted that she does not have any questions regarding the changes. A recommendation will be needed from this committee to take to the Commission for a motion. Both Mary Poole and Pat Maley approved the updated Charter with no additional changes. Commissioner Malphrus noted that anytime the documents state *Audit*, it should read *Finance and Audit Committee*.

Committee Vote(s) (if any): The last sentence under composition should be deleted, "Each committee member's background should be suited to the committee's responsibilities."

Commissioner Malphrus made the motion to edit, Commissioner Blackwood seconded the motion and unanimously approved by the Committee.

Additionally, Commissioner Malphrus has asked that the last sentence under “Other Responsibilities” be clarified as to who would evaluate the performance of the committee or it should be taken out. Commissioner Blackwood made a recommendation to restructure the sentence to read, “...self-evaluate the committee and individuals’ performance on a regular basis” to page three of the Charter. The motion was made by Commissioner Miller, seconded by Commissioner Malphrus and unanimously approved by the Committee.

7. Internal Audit Charter (275-05-DD)

Kevin Yacobi

Brief Summary: Mary, Pat and Kevin met regarding this directive and made a few changes that were discussed.

Committee Member(s) Guidance (if any): Under the section titled “Authority” the annual audit plan will be approved by the Finance Audit Committee with final approval by the DDSN Commission.

Kevin recommended an additional bullet under “Scope of IA Activities” to include a sentence stating that if a conflict of interest is discovered, it should be brought before the Finance and Audit Committee members in executive session. The Commission members agreed with the recommendation.

Committee Vote(s) (if any): Commissioner Malphrus made a motion to have the annual audit plan should be brought to the Finance/Audit Committee and then pass to the DDSN Commission for final approval, seconded by Commissioner Blackwood and unanimously accepted. Under “Financial Sanctions”, Commissioner Malphrus made a motion to increase the sanction penalty from \$500 to a minimum of \$1000 with a potential increase based on the discretion of the Finance Audit Committee.” This motion was seconded by Commissioner Miller and unanimously approved by the committee.

Kevin will make all of the changes approved and send to everyone in the morning. Commissioner Malphrus made a motion that the changes made during this meeting, this document should go before the Commission for approval; it was approved unanimously. ADDENDUM: This document will be presented at the Commission meeting on Thursday as information only. After the standard ten (10) day public comment is over, this document will be presented to the Commission for approval.

8. IA Presentation for Commission Meeting

Kevin Yacobi

Brief Summary: Kevin shared with the committee his proposed presentation to the board.

Committee Member(s) Guidance (if any): Discussion ensued with final topics for Internal Audit presentation to the Commission being: 1) latest peer review report and discussion of Internal Audit Standards 1300, Quality Assurance and Improvement Program, and 2) review of Internal Audit Funded Waiver Slot Report.

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

9. Threshold for Monies Owed to Consumers

Kevin Yacobi

Brief Summary: Kevin asked if this topic could be tabled.

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

Committee Vote(s) (if any): Commissioner Malphrus made a motion to table this agenda item for further discussion at the next Commission meeting, seconded by Commissioner Miller and unanimously approved by the committee.

10. HHS Admin Contract Update

Chris Clark

Brief Summary: Chris recommended that he discuss this item as a separate agenda item at the Commission meeting on Thursday.

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

Committee Vote(s) (if any): Commissioner Malphrus made a motion to table this agenda item for further discussion at the next Commission meeting, seconded by Commissioner Miller and unanimously approved by the committee.

11. Appendix K Update

Chris Clark

Brief Summary: Chris recommended that he discuss this item as a separate agenda item at the Commission meeting on Thursday.

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

Committee Vote(s) (if any): Commissioner Malphrus made a motion to table this agenda item for further discussion at the next Commission meeting, seconded by Commissioner Miller and unanimously approved by the committee.

12. 2021 Spending Plan/Capital Budget

Chris Clark

Brief Summary: Chris noted that the process for the spending plan has been refined considerably. A draft of the 2021 Spending Plan will be sent to Commission members prior to board meeting on Thursday. We have not traditionally presented a capital budget, but we are initiating this practice this year. Chris reviewed the capital budget with the committee. The capital budget is our best plan for what capital purchases need to be made during FY 2021. At this time, we are not projecting any financing sources, but plan to request Commission approval at a later date for consideration of financing some of the items on the budget.

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

Committee Vote(s) (if any): Commissioner Blackwood made a motion that the Commission approve the Capital Budget as presented and that both the Capital Budget and the 2021 Spending

Plan be presented to the members of the Commission on Thursday for approval, seconded by Commissioner Miller and unanimously approved.

13. Quarterly Provider Contracts Summary *Chris Clark*

Brief Summary: Chris reminded the committee that Commissioner Thomas asked that this information be brought to the committee on a quarterly basis. This information was reviewed with the Committee.

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

Committee Vote(s) (if any): None

14. Contract Amendments Over \$200K *Chris Clark*

Brief Summary: Any contract amendments exceeding \$200,000 must be approved by the committee. The amendment that presented for review and approval is for SC Mentor and relates to filling vacancies due to the freeze being lifted.

Committee Member(s) Guidance (if any):

Committee Vote(s) (if any): Commissioner Malphrus made a motion to approve the amendment and moved to present to the Commission for approval, seconded by Commissioner Miller and unanimously approved by the committee.

15. State Owned Facilities Update *Chris Clark*

Brief Summary: Chris noted that the State Fiscal Accountability Authority (SFAA) meeting will take place tomorrow. He and several staff members met with SC State Treasurer Curtis Loftis and he had no problems with the Agency's proposals. Staff addressed issues with Senator Hugh Leatherman earlier today and now has received questions from SC Comptroller General, Richard Eckstrom. SFAA may table this discussion until the meeting in December. The main questions seem to be how much the properties are worth and what control do we will have over the disposal and the proceeds from the disposals.

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

Committee Vote(s) (if any): None

16. Financial Update – September 2020 Report *Chris Clark*

Brief Summary: Chris discussed the financial update noting that if the Spending Plan will be approved on Thursday, this document will change slightly. The Agency is doing very well financially through the first quarter.

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

Committee Vote(s) (if any): None

17. Chief Financial Officer Report

Chris Clark

Brief Summary: Chris discussed PPP Funds Update in detail. Providers are being very conservative with this money and according to auditors that he spoke with many providers will probably give most of the funds back.

Committee Member(s) Guidance (if any): Commissioner Malphrus has specific questions but did not want to discuss in an open forum. Chris will call him after the meeting.

Committee Vote(s) (if any): None

18. Director of Internal Audit Report

Kevin Yacobi

Brief Summary: No topics presented by Kevin.

Committee Member(s) Guidance (if any):

Committee Vote(s) (if any):

19. Adjourn

Robin Blackwood

Commissioner Miller motioned to adjourn, seconded by Commissioner Malphrus at 5:45 P.M.