

Sioux Falls Regional Airport Authority

Internal Control Process for Administration of Federal Awards

January 1, 2026

A. /B. ALLOWABLE ACTIVITIES OR /ALLOWABLE COSTS/COST PRINCIPLES

Control Objectives

To provide reasonable assurance that Federal awards are expended only for allowable activities and that the costs of goods and services charged to Federal awards are allowable and in accordance with the applicable cost principles.

Control Environment

- Expenditures are reviewed by the Executive Director and approved by the Airport Board retroactively at each Board meeting.
- An annual operating and capital budget is reviewed and approved by the Airport Board.
- The Finance Manager keeps all invoices and documentation of expenditures in files and enters the invoices into the accounting system.
- The Finance Manager reviews and recalculates invoices and notes any errors to the billing companies.
- The Executive Director reviews all transactions entered into the accounting system.
- The Executive Director regularly monitors the budget to actual expenses.

Risk Assessment

- The Executive and Deputy Directors have a sufficient understanding of allowable costs, procedures, and controls in place to identify any unallowable activities or costs.
- Financial policies and procedures are in place.

Control Activities

- The Executive Director is responsible for the allowability of costs.
- All checks require two signatures of the Executive Director and one of the Airport Board Commissioners, which is normally the Board Chairman.
- The Executive Director reviews all transactions entered into the accounting system by the Finance Manager.
- The Executive Director reviews supporting documentation compared to list of allowable and unallowable expenditures.
- The Board reviews and approves all disbursements.
- Expenditures are tracked on a spreadsheet prepared by the Finance Manager separated by program and task order. The spreadsheet is reviewed on a regular basis by the Executive Director to ensure accuracy. Brady, Martz and Associates also reviews the spreadsheet periodically to verify request for reimbursement from the State match the invoices and numbers documented on the spreadsheet.

Information and Communication

- Reports, such as a comparison of budget to actual are reviewed by the Executive Director on a regular basis.
- Grant agreements (including referenced program laws, regulations, handbooks, etc.) and cost principles circulars are maintained by the Executive Director and Finance Manager.

Monitoring

- Management and the Airport Engineer (KLJ Engineers/Mead & Hunt Engineers) review supporting documentation of allowable cost information.
- The Executive Director reviews budget to actual expenditures.
- Board approves all disbursements.
- Brady, Martz and Associates reviews the program spreadsheet periodically to match grant submission requests with invoices and information received from State.

C. CASH MANAGEMENT

Control Objectives

To provide reasonable assurance that the (1) drawdown of Federal cash is only for immediate needs, (2) reimbursement is requested only after costs have been incurred, (3) State complies with applicable Treasury agreements, and (4) recipients limit payments to subrecipients to immediate cash needs.

Control Environment

- The Finance Manager is responsible for the completion of requests for reimbursement, which are approved by the Executive Director. The current Executive Director has many years of experience with the AIP program requirements.
- The Executive Director signs off on reimbursement requests before submitting them to the State.
- Reimbursement requests are submitted only for costs that have been incurred on behalf of the program; draw requests are supported by appropriate documentation (invoices).

Risk Assessment

- Management has identified that the AIP programs are reimbursement based and that cash advances and lump sum are not applicable to these programs.

Control Activities

- An appropriate level of supervision exists as reimbursement requests are approved by the Executive Director.
- The Finance Manager matches invoices to purchase orders to ensure clerical accuracy. Draws are prepared based on expenditures to date.
- The Executive Director reviews and signs each reimbursement request to document his approval of costs submitted.

Information and Communication

- The Finance Manager regularly communicates with the State of South Dakota, Department of Transportation Program Manager, Nancy Hiller (grantor representative) regarding allowable costs and allocations between programs.

Monitoring

- Nancy Hiller (grantor representative-SDDOT) actively monitors the expenditure submitted for allowability by program.

D. RESERVED

E. EQUIPMENT AND REAL PROPERTY MANAGEMENT

Control Objectives

To provide reasonable assurance that proper records are maintained for equipment acquired with Federal awards, equipment is adequately safeguarded and maintained, disposition or encumbrance of any equipment or real property is in accordance with Federal requirements, and the Federal awarding agency is appropriately compensated for its share of any property sold or converted to non-Federal use.

Control Environment

- The Executive Director handles recording of additions and subtractions due to the small size of the organization and the relative permanence of many of the fixed assets.
- Disposals are at net book value and any earnings from the sale of assets are allowed for continued airport improvements under the program.

Risk Assessment

- Fixed assets are relatively permanent and easily identifiable.

Control Activities

- The Executive Director monitors and updates the fixed asset list of the physical inventory for the organization as a whole. A physical inventory of equipment purchased with Federal Funds is conducted every two years.

- The Executive Director handles recording of additions and subtractions due to the small size of the organization and the relative permanence of many of the fixed assets; invoices are maintained as record.
- The Executive Director and the Airport Board manage and control the monitoring of fixed assets.
- All expenditures are approved by the Board on a monthly basis retroactively and the Executive Director provides construction updates to the Board at meetings.

Information and Communication

- The Executive Director along with the Finance Manager prepares the physical inventory report and the Executive Director and the Board review and monitor the addition and subtraction of fixed assets.

Monitoring

- The Executive Director and the Board manage and control the monitoring of fixed assets.
- Disposals are at net book value and any earnings from the sale of assets are allowed for continued airport improvements under the program.

F. MATCHING, LEVEL OF EFFORT, EARMARKING

Control Objectives

To provide reasonable assurance that matching, level of effort or earmarking requirements are met using only allowable funds or costs which are properly calculated and valued.

Control Environment

- The Executive Director uses separate accounts to match grant proceeds to the assigned projects which are reviewed throughout the year by accountants from Brady, Martz and Associates to oversee the grant reporting.
- The Board issues an annual budget to monitor federal awards.
- *No level of effort or earmarking requirements for this program.*

Risk Assessment

- The State of South Dakota matches 3- 5% for each grant; are aware that the match must be from a non-federal source.
- Total of the expenditure and the match are noted on reimbursement request to ensure matching requirements are met.
- The Executive Director and Finance Manager are aware of and monitor the status of awards.

Control Activities

- The Executive Director and Finance Manager oversee grant reporting.
- The Board issues an annual Capital Budget for the federal award which can be done due to the known engineering tasks and construction costs associated with the capital improvement type grant.

Information and Communication

- There are no written procedures due to the size, but management is aware and monitors status of award efforts.

Monitoring

- Budgeting allows adequate control by the Executive Director and the Airport Board.

G. PROCUREMENT, SUSPENSION, and DEBARMENT

Control Objectives

To provide reasonable assurance that procurement of goods and services are made in compliance with the provisions of the Uniform Grant Guidance Procurement Standards, as applicable, and that covered transactions (as defined in the suspension and debarment common rule) are not made with a debarred or suspended party.

Control Environment

- Policies are in place regarding acceptable procurement practices.
- Procurement policies are in place and in line with Federal requirements.

Risk Assessment

- Procedures to monitor vendors for inadequacy, conflicts of interest.

- Procurement/bids for all airport improvement programs.
- Compliance with the debarment list is fully known by the Executive Director and Airport Engineer (KLJ Engineers) who follows Federal procurement policy in making vendor selection unless the State of South Dakota policy is more restrictive.

Control Activities

- As part of the bidding process, contractors are required to submit precertification letters from the State of South Dakota to ensure that they are approved to complete specified types of work.
- Contractor's performance with the terms, conditions, and specifications of the contract is monitored and documented.
- Written procurement policies (Exhibit A) and files documenting the procurement process are maintained for each job/product over \$100,000. Procurement process includes:
 - Advertisement to solicit formal bid proposals for all work estimated to exceed \$100,000. Advertisement to solicit bids will be made in the Argus Leader a minimum of ten days prior to the bid opening date. Two ads will be placed to comply with State law.
 - Airport Engineer reviews all bid submissions to determine compliance with bonding and other bid provisions to determine the lowest bid meeting all requirements.
 - Formal award/selection is approved by the Airport Authority Board within the State established time limit.
- The Airport Engineer obtains signed contracts containing required Federal provisions in which contractors and subcontractors accept responsibility for items such as compliance with Davis-Bacon, Buy American and Suspension and Debarment.
- The Airport Engineer (KLJ Engineers'/Mead & Hunt Engineer's) checks all contractors and subcontractors against the Excluded Party List System (EPLS) after the preconstruction meeting to ensure that none are suspended or debarred from working on Federally funded projects. Brady, Martz and Associates, a third-party accountant, reviews the listings and makes queries from the sam.gov system at year end.
- The Airport Authority has established a formal Conflict of Interest Policy (Exhibit B) that must be acknowledged annually by all Airport Board Members, Officers and Managers in a position to procure services or products.

Information and Communication

- A system is in place to assure that procurement documentation is retained for the time period required.
- Board approval documents contractor selections and basis for award.

Monitoring

- Management periodically conducts independent reviews of procurements and contracting activities to determine whether policies and procedures are being followed as intended. The EPLS is available online at <https://www.sam.gov/portal/public/SAM>. Brady, Martz and Associates goes through this list with the Airport Engineer (KLJ/Mead & Hunt) periodically to determine compliance.

H. REPORTING

Control Objectives

To provide reasonable assurance that reports of Federal awards submitted to the Federal awarding agency (FAA) or pass-through entity (SDDOT) include all activity of the reporting period, are supported by underlying accounting or performance records, and are fairly presented in accordance with program requirements.

Control Environment

- The Finance Manager provides the general ledger information to Brady, Martz and Associates (Eric Maas) for preparation of the FAA Form 5100-126 and FAA Form 5100-127 forms.
- Management's attitude toward reporting promotes accurate and fair presentation.

Risk Management

- Airport Management has many years of experience in the industry. Brady, Martz and Associates (Eric Maas) has been assisting with the financial statement and general ledger for seven years.

Control Activities

- The Executive Director receives a copy of the completed FAA 126 and FAA 127 to review the reports for accuracy.

Information and Communication

- The accounting system provides for the reliable processing of financial information. Brady, Martz and Associates (Eric Maas) prepares reports from the financial figures audited and statistical information provided by the Finance Manager.

Monitoring

- The Executive Director reviews and approves the reports for accuracy prior to submission.

I. SPECIAL PROVISIONS - DAVIS-BACON ACT

Control Objectives

To provide reasonable assurance that contractors and subcontractors were properly notified of the Davis-Bacon Act requirements and the required certified payrolls were submitted to the non-Federal entity.

Control Environment

- The Deputy Director and Airport Engineer (KLJ/Mead & Hunt) inform contractors of the requirements for compensation.
- Airport Management and the Board understand their responsibility for monitoring compliance.

Risk Assessment

- The Executive and Deputy Director outline the requirements in the advertisements for bidders on contracts.
- The Airport Engineers (KLJ/Mead & Hunt) receive copies of the contractor payroll for each person working on the contract and review the rates for compliance with Davis Bacon requirements.

Control Activities

- Contractors are informed in the procurement documents of the requirements for prevailing wage rates.
- Contractors and subcontractors are required to submit signed certifications and copies of payrolls which meet the requirements to pay prevailing wage rates to the airport.
- Contractors' and subcontractors' payrolls are monitored for compliance with prevailing wage rates.

Information and Communication

- Prevailing wage rates are appropriately communicated to the contractors by the Airport Engineer.
- The Airport Engineer (KLJ/Mead & Hunt) reviews the contractor's payroll for each person and any errors noted are corrected by the contractors immediately.

Monitoring

- KLJ Engineers or Mead & Hunt Engineers, the engineer for Airport, reviews payrolls provided by the contractors to ensure that contractors and subcontractors are being required to pay prevailing wage rates. Brady, Martz and Associates works with KLJ /Mead & Hunt Engineers to ensure documentation is in place.

J. SPECIAL PROVISIONS –SPECIAL CONDITIONS FOR AIP GRANTS

Control Objectives

To provide reasonable assurance that "Special Conditions" from the AIP grant are followed and monitored. Daily inspections of runways are conducted to identify any deficiencies or foreign objects debris (FOD) that may result in failed pavement areas.

Control Environment

- The inspection process and documentation of the inspection are the responsibility of the airport maintenance staff and is overseen by the Field Maintenance Manager.

Risk Management

- The current Operations Manager, Jonathon Perout has been working at the airport since 2022 and is familiar with FAA requirements.

Control Activities

- Daily inspections are documented electronically in a program called Veoci that includes the time of inspection and initialed by the person who performed the inspection.

Information and Communication

- Documentation is maintained in a binder, filed by day and available for the FAA inspectors who come once per year to review as well as electronically. Inspections are performed three times per day, FAA required one inspection before any flights leave each day, one during daylight hours and a final one each night.

Monitoring

- FAA reviews annually.

K. SPECIAL PROVISIONS – REVENUE DIVERSION***Control Objectives***

To provide reasonable assurance that all revenue generated by a public airport must be expended for the capital or operating cost of the local airport system.

Control Environment

- The review process performed by the Executive Director and the airport Board shows they are aware and conscious of the types of service or products that should be incurred by the airport.

Risk Management

- The Executive and Deputy Director are familiar with the types of expenditures that are allowed and that all revenues must be expended only for capital operating costs related to the airport.

Control Activities

- The Executive Director reviews all transactions entered into the accounting system.
- The Executive Director regularly monitors the budget to actual expenses
- Monthly review and approval of all expenditures is conducted by the Airport Board. See documentation of testing below.

Information and Communication

- Documentation is retained in the monthly expenditure files which included the invoice and supporting documentation to ensure expenditures are commensurate of the service or products received by the airport.

Monitoring

- The Executive Director reviews the expenditure for accuracy. This is done in a timely fashion due to the small size of the awards.
- The Airport Board reviews financials monthly at each board meeting.
- Annual audit and single audit report must be submitted annually.

Exhibit A

Procurement Procedures

The following procurement procedures have been developed to provide reasonable assurance that procurement of goods and services are made in compliance with the provisions of the Uniform Grant Guidance (UGG) Procurement Standards, as applicable, and that covered transactions (as defined in the suspension and debarment common rule) are not made with a debarred or suspended party.

General Standards

- 1) The following procurement procedures will comply with applicable South Dakota law in addition to Federal requirements identified in the UGG.
- 2) The Sioux Falls Regional Airport (SFRA) will provide oversight to ensure contractors perform in accordance with the terms, conditions, and specifications of their contracts.
- 3) The SFRA complies with a Conflict-of-Interest Policy documented under **Exhibit B**.
- 4) The Executive Director, where appropriate, will conduct an analysis between leasing vs. purchasing equipment to determine the most economical approach.
- 5) The SFRA will review opportunities for equipment purchases on the Federal/State surplus property inventory as well as utilizing State bid equipment pricing if appropriate.
- 6) Contracts will only be awarded to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.
- 7) The SFRA will maintain records of the history of procurement. These records will include but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

Competition

Procurement transactions will be conducted in a manner providing full and open competition consistent with the standards of this section. Care will be taken to avoid the following restrictions to competition;

- 1) Placing unreasonable requirements of firms in order for them to qualify to do business;
- 2) Requiring unnecessary experience and excessive bonding;
- 3) Noncompetitive pricing practices between firms or between affiliated companies’
- 4) Noncompetitive contracts to consultants that are on retainer contracts;
- 5) Organizational conflicts of interest;
- 6) Specifying only a “brand name” product instead of allowing “an equal” product to be offered and describing the performance or other relevant requirements of the procurement and;
- 7) Any arbitrary action in the procurement process.

The SFRA will ensure that all solicitations for procurements include:

- 1) A clear and accurate description of the technical requirements for the material, product, or service to be procured. The description will not, in competitive procurements, contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product or service to be procured and, when necessary, will set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Detailed product specifications should be avoided if possible.
- 2) Identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.

The SFRA will ensure that all prequalified lists of persons, firms or products which are used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition. The SFRA will not preclude potential bidders from qualifying during the solicitation period.

Methods of Procurement

The SFRA will utilize the following procurement methods based on product/service cost.

a) Procurement by micro-purchase (\$0 - \$50,000);

When purchasing products or services below \$50,000, to the extent practical, the SFRA will distribute micro-purchases equitably among qualified supplies. Micro-purchases will be awarded without soliciting competitive quotations if the SFRA considers the price to be reasonable.

b) Procurement by small purchase of supplies or services (\$50,000-\$100,000);

Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. Small purchase procedures will require price or rate quotations from an adequate number of qualified sources to select the most economical provider. For purchases over \$50,000, formal advertised bids will be solicited to comply with State procurement statutes SDCL §5-18A-1(22) and requires Board approval.

c) Procurement by small purchase of public improvements (\$100,000-\$250,000);

Small purchase procedures of public improvements including “buildings, altering, repairing, improving or demolishing and public infrastructure facility” are those relatively simple procurement methods for securing public improvements that do not cost more than the Simplified Acquisition Threshold. Small purchase procedures will require formal advertisement for bids from an adequate number of qualified sources to select the most economical provider to comply with State procurement statute SDCL §5-18A-14 and requires Board approval.

d) Procurement by sealed bids-formal advertising over the Simplified Acquisition Threshold(\$250,000 and above);

For equipment or services estimated to exceed \$250,000 in value, bids will be publicly solicited and a firm fixed price contract (lump sum or unit price) awarded to the responsible bidder whose bid, confirming with all material terms and conditions or the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the condition in paragraph (c-1) of this section applies.

- 1) In order for sealed bidding to be feasible, the following conditions should be present:
 - i) A complete, adequate, and realistic specification or purchase description is available.

- ii) Two or more responsible bidders are willing and able to compete effectively for the business; and
- iii) The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.

2) If sealed bids are used, the following requirements apply:

- i) Bids must be solicited from an adequate number of known suppliers, providing them sufficient response time prior to the date set for opening the bids and the invitation for bids must be publically advertised;
- ii) The invitation for bids, which will include any specifications and pertinent attachments, must define the items or services in order for the bidder to properly respond;
- iii) All bids will be opened at the time and place prescribed in the invitation for bids and will be made public.
- iv) A firm fixed price contract award will be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs must be considered in determine which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of; and
- v) Any or all bids may be rejected if there is a sound documented reason.

e) *Procurement by competitive proposals;*

The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed price or cost-reimbursement contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids. If this method is used, the following requirements apply;

- 1) Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Any response to publicized requests for proposal must be considered to the maximum extent practical;
- 2) Proposals must be solicited from an adequate number of qualified sources;
- 3) The SFRA will have a written method for conducting technical evaluations of the proposals received and for selecting recipients;
- 4) Contracts will be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered; and
- 5) The SFRA will use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitor's qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in procurement of A/E professional services. It cannot be used to purchase other types of services though A/E firms are a potential source to perform the proposed effort.

f) *Procurement by non-competitive proposals;*

Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply;

- 1) The item is available only from a single source;

- 2) The public urgency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- 3) The Federal awarding agency or South Dakota Department of Transportation expressly authorizes noncompetitive proposals in response to a written request from the SFRA; or
- 4) After solicitation of a number of sources, competition is determined inadequate.

Contracting with small, minority/women's business enterprises

The SFRA will take all necessary affirmative steps to assure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible. Affirmative steps will include:

- a) Placing qualified small and minority businesses and women's business enterprises on solicitation lists;
- b) Assuring that small and minority businesses, and women's business enterprises are solicited whenever they are potential sources;
- c) Using the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Minority Business Development Agency of the Department of Commerce.

Contract cost and price

The SFRA will perform a cost or price analysis in connection with every procurement action in excess of the Simplified Acquisition Threshold including contract modifications. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, the SFRA and or airport engineer will make independent estimates before receiving bids or proposals.

The SFRA will negotiate profit as a separate element of the price for each contract in which there is no price competition and in all cases where cost analysis is performed. To establish a fair and reasonable profit, consideration will be given to the complexity of the work to be performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of its record of past performance, and industry profit rates in the surrounding upper Midwest for similar work.

The cost plus a percentage of cost and percentage of construction cost methods of contracting will not be used.

Federal or State Review

- a) The SFRA will make available, upon request of the Federal awarding agency (FAA) or the South Dakota Department of Transportation (SDDOT), technical specifications on proposed procurements where the FAA or SDDOT believes such review is needed to ensure that the item or service specified is the one being proposed for acquisition. This review generally will take place prior to the time the specification is incorporated into a solicitation document. However, if the FAA desires to have the review accomplished after a solicitation has been developed, the FAA or SDDOT may still review the specifications, with such review usually limited to the technical aspects of the proposed purchase.
- b) The SFRA will make available, upon request, for the FAA or SDDOT pre-procurement review, procurement documents, such as requests for proposals or invitations for bids, or independent cost estimates, when;
 - 1) The SFRA procurement procedures or operation fails to comply with procurement standards in this document;

- 2) The procurement is expected to exceed the Simplified Acquisition Threshold and is to be awarded without competition or only one bid or offer is received in response to a solicitation;
 - 3) The procurement, which is expected to exceed the Simplified Acquisition Threshold, specifies a “brand name” product;
 - 4) The proposed contract is more than the Simplified Acquisition Threshold and is to be awarded to other than the apparent low bidder under a sealed bid procurement; or
 - 5) A proposed contract modification changes the scope of a contract or increases the contract amount by more than the Simplified Acquisition Threshold.
- c) The SFRA is exempt from the pre-procurement review in paragraph (b) of this section if the FAA or SDDOT determines the SFRA procurement procedures comply with the standards of this part:
- 1) The SFRA may request that its procurement procedures be reviewed by the FAA or SDDOT to determine whether its procedures meet these standards in order for its process to be certified. Generally this review must occur where this is a continuous high-dollar funding, and third party contracts are awarded on a regular basis;
 - 2) The SFRA may self-certify its procurement system. Such self-certification must not limit the FAA’s right to survey the process. Under a self-certification procedure, the FAA may rely on written assurances from the SFRA that it is complying with these standards. The SFRA will cite specific policies, procedures, regulations, or standards as being in compliance with these requirements and have its system available for review.

Bonding Requirements

For construction or facility improvement contracts or subcontracts exceeding the Simplified Acquisition Threshold, the FAA or SDDOT may accept the bonding policy and requirements of the SFRA provided that the FAA or SDDOT has made a determination that the Federal interest is adequately protected. If such a determination has not been made, the minimum requirements must be as follows:

- a) A “bid guarantee” from each bidder must accompany the bid as assurance that the bidder will, upon acceptance of the bid, execute such contractual documents as may be required within the time specified. The bid guarantee can be either a certified check equivalent to five (5) percent of the bid price or a bid bond in the amount of 10% of the bid price.
- b) A performance bond on the part of the contractor for 100 percent of the contract price. A “performance bond” is one executed in connection with a contract to secure fulfillment of all the contractor’s obligations under such contract.
- c) A payment bond on the part of the contractor for 100 percent of the contract price. A “payment bond” is one executed in connection with a contract to assure payment as required by law of all persons supplying labor and materials in the execution of the work provided for in the contract.

Contract Provisions

The SFRA’s contracts will contain the applicable provisions described in Appendix II to CFR Part 200 – Contract Provisions for non-Federal Contracts Under Federal Awards.

Change Order Approval Process

- SDCL § 5-18B-19 sets forth the limitations for amendments or change orders to existing contracts.
- Change orders or amendments to an existing contract for construction, reconstruction, or remodeling of a public improvement do **not** need to be bid if:
 1. The contract contains unit prices for the same type or class of work;
 2. The change/extra work is required due to unforeseen circumstances (soils, utilities, or unknown site conditions) that directly affect performance and were not reasonably foreseeable at contract award, and such changes are necessary for completion; **or**
 3. For all other unbid change orders, the sum of the proposed change order plus all other prior unbid change orders—**excluding** those issued under (1) and (2)—does **not exceed**:
 - For contracts ≤ \$500,000: the greater of \$25,000 or 15% of base contract.
 - For \$500,001–\$2,500,000: the greater of \$75,000 or 10% of base contract.
 - For contracts > \$2,500,000: the greater of \$250,000 or 5% of base contract.
- Any change order that does not fit within any of these three categories would require competitive bidding.

Exhibit B

Conflict of Interest Policy

SECTION 1 - PURPOSE:

The Sioux Falls Regional Airport Authority (The Authority) is a nonprofit, tax-exempt organization. Maintenance of its tax-exempt status is important both for its continued financial stability and for public support. Therefore Federal and State regulatory officials view the operations of the Authority as a public trust, which is subject to scrutiny by and accountable to such governmental authorities as well as to members of the public.

Consequently, there exists between The Authority and its board, officers, and management employees and the public a fiduciary duty, which carries with it a broad and unbending duty of loyalty and fidelity. The board, officers, and management employees have the responsibility of administering the affairs of The Authority honestly and prudently, and of exercising their best care, skill, and judgment for the sole benefit of The Authority. Those persons shall exercise the utmost good faith in all transactions involved in their duties, and they shall not use their positions with The Authority or knowledge gained there from for their personal benefit. The interests of the organization must be the first priority in all decisions and actions.

SECTION 2 - PERSONS CONCERNED:

This statement is directed not only to directors and officers, but to all employees who can influence the actions of The Authority. For example, this would include all who make purchasing decisions, all persons who might be described as “management personnel,” and anyone who has proprietary information concerning The Authority.

SECTION 3 - AREAS IN WHICH CONFLICT MAY ARISE:

Conflicts of interest may arise in the relations of directors, officers, and management employees with any of the following third parties:

1. Persons and firms supplying goods and services to The Authority.
2. Persons and firms from whom The Authority leases property and equipment.
3. Persons and firms with whom The Authority is dealing or planning to deal in connection with the gift, purchase or sale of real estate, securities, or other property.
4. Competing or affinity organizations.
5. Donors and other supporting The Authority.
6. Agencies, organizations and associations which affect the operations of The Authority.
7. Family members, friends, and other employees.

SECTION 4 - NATURE OF CONFLICTING INTEREST:

A conflicting interest may be defined as an interest, direct or indirect, with any persons or firms mentioned in Section 3. Such an interest might arise through:

1. Owning stock or holding debt or other proprietary interests in any third party dealing with The Authority.
2. Holding office, serving on the board, participating in management, or being otherwise employed (or formerly employed) with any third party dealing with The Authority.
3. Receiving remuneration for services with respect to individual transactions involving The Authority.

4. Using The Authority's time, personnel, equipment, supplies, or good will for other than The Authority's approved activities, programs, and purposes.
5. Receiving personal gifts or loans from third parties dealing or competing with The Authority. Receipt of any gift is disapproved except gifts of a value less than \$50, which could not be refused without discourtesy. No personal gift of money should ever be accepted.

SECTION 5 - SELECTION AND AWARD OF FEDERAL CONTRACTS:

No director, officer or management employee of The Authority may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the director, officer or employee, any member of his or her immediate family, his or her partner has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. The director, officers and employees of The Authority may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts.

SECTION 6 - INTERPRETATIONS OF THIS STATEMENT OF POLICY:

The areas of conflicting interest listed in Section 3, and the relations in those areas which may give rise to conflict, as listed in Section 4, are not exhaustive. Conflicts might arise in other areas or through other relations.

The fact that one of the interests described in Section 4 exists does not necessarily mean that a conflict exists, or that the conflict, if it exists, is material enough to be of practical importance, or if material, that upon full disclosure of all relevant facts and circumstances it is necessarily adverse to the interests of The Authority.

However, it is the policy of The Authority board that the existence of any of the interests described in Section 4 shall be disclosed before any transaction is consummated. It shall be the continuing responsibility of The Authority board, officers, and management employees to scrutinize their transactions and outside business interests and relationships for potential conflicts and to immediately make such disclosures.

SECTION 7 - DISCLOSURE POLICY AND PROCEDURE:

Transactions with parties with whom a conflicting interest exist may be undertaken only if all of the following are observed:

1. The conflicting interest is fully disclosed.
2. The person with the conflict of interest is excluded from the discussion and approval of such transaction.
3. A competitive bid or comparable valuation exists; and
4. The Airport Authority Board has determined that the transaction is in the best interest of the organization.

Disclosure in the organization should be made to the Executive Director (or the Chairman of the Airport Authority Board if he or she is the one with the conflict), who shall bring the matter to the attention of the Airport Authority Board. Disclosure involving Directors should be made to the Board Chair, (or if he or she is the one with the conflict, then to the Board Vice-chair) who shall bring these matters to the Airport Authority Board.

The Airport Authority Board shall determine whether a conflict exists and in the case of an existing conflict, whether the contemplated transaction may be authorized as just, fair, and reasonable to The Authority. The decision of the Airport Authority Board on these matters will rest in their sole discretion, and their concern must be the welfare of The Authority and the advancement of its purpose.