MINUTES

Government Operations & Audit Committee

Senator Deb Peters, Chair
Represenative Jean Hunhoff, Vice Chair

Seventh Meeting, 2017 Interim **Room 412 – State Capitol**
Monday, October 30, 2017 **Pierre, South Dakota**

The seventh meeting of the 2017 Interim Government Operations and Audit Committee (Committee) was called to order on conference call by Chair Peters at 12:00 p.m., October 30, 2017, at Room 412, State Capitol Building, Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Representatives Wismer, Steinhauer, Hunhoff and Senators Sutton, Tapio, Cronin, and Peters. Representative Anderson joined after roll was called. Representative Tieszen and Senator Nelson were excused.

Staff members present were Mr. Bob Christianson, Mr. Tim Flannery, and Mr. Russ Olson, State and Local Government Audit Managers for the Department of Legislative Audit (DLA).

NOTE: For purpose of continuity, the following minutes are not necessarily in chronological order. The bulleted items below each agenda item are documents sent out by the Committee.

Approval of Minutes

Representative Hunhoff moved, seconded by Senator Cronin, the minutes of the October 5 and 6, 2017 meeting be approved (**Minutes 10-5-17 & 10-6-17**). Motion prevailed on a roll call vote with 7 voting AYE and 3 EXCUSED. Those voting AYE: Sutton, Tapio, Cronin, Wismer, Steinhauer, Hunhoff and Peters. Those EXCUSED: Nelson, Tieszen and Anderson.

Item 1 – Department of Public Safety to present the annual report from the South Dakota 911 Coordination Board (SDCL 34-45-20)

- **Letter to Public Safety Doc.2**
- **FY2017 State 911 Coordination Board Report Doc.3**

Ms. Shawnie Rechtenbaugh, Deputy Secretary and State 911 Coordinator for the Department of Public Safety (DPS), was present to address the Committee. She advised that she works directly with the 911 Coordination Board made up of 11 volunteer members appointed by the Governor. Ms. Rechtenbaugh explained that all South Dakota 911 calls are answered by 32 Public Safety Answering Points (PSAPs), including four tribal PSAPs. The information included in the FY2017 Report is from the 28 non-tribal PSAPs.

Ms. Rechtenbaugh explained that at the end of fiscal year (FY) 2017, 23 of 28 PSAPs were 100% compliant with State requirements. Two more PSAPs have since become compliant. The three remaining PSAPs have one or two items of noncompliance. Ms. Rechtenbaugh advised that she expects all PSAPs to be 100% compliant by the end of FY2018.

Ms. Rechtenbaugh advised that the primary focus of the 911 Coordination Board in FY2017 was the Next Generation 911 Project (NG9-1-1). Currently, all PSAPs are on the statewide hosted phone system and

their vendor is working with the telecommunication providers to get them connected to the new emergency services network. They are planning to deploy the first 911 center onto the new network in about February 2018. They have also been working on a statewide Geographic Information System (GIS) dataset project that will be used to route all 911 calls. The statewide accuracy goal is 98% and they are currently at about 92%.

Representative Hunhoff asked if the PSAPs that were not compliant at the end of the fiscal year received their full funding. Ms. Rechtenbaugh advised they have; July 1, 2017 is when the law took effect that allows withholding funds if a PSAP is noncompliant. All PSAPs either became compliant or submitted a plan to become compliant and no surcharges have been withheld to date. Representative Hunhoff asked what the process was to audit the PSAPs who have submitted a plan to become compliant. Ms. Rechtenbaugh advised that the PSAPs are audited annually and the plans submitted include a timeline which they will follow up on before their meeting in December 2017.

Senator Cronin asked what the timeline was for the NG9-1-1 project to be implemented and paid for. Ms. Rechtenbaugh explained that they were about half way through the five year deployment schedule. She explained that they do not own or maintain the equipment and make monthly service payments that will continue indefinitely. Senator Cronin asked about the surcharge on the telephone lines. Ms. Rechtenbaugh advised the surcharge was a result of Senate Bill (SB) 174 which passed during the 2012 legislative session and was later amended by SB 113 passed during the 2017 legislative session. The surcharge is scheduled to stay at $1.25 until July 1, 2019. Senator Peters advised that they would need to continue charging the fee unless facilities were consolidated or there was a different funding source. Senator Cronin advised that he would like some additional information on the history of the NG9-1-1 system. Senator Peters advised they will ask DPS for additional background information.

Representative Wismer asked if the State gathered data from PSAPs about local satisfaction levels. Ms. Rechtenbaugh advised that they do not gather or maintain any data at the PSAP level. The PSAPs are locally owned and operated and the State does not require customer satisfaction information to be reported.

Representative Hunhoff asked if there had been any cost savings over time due to consolidations. Senator Peters advised that there haven't been any consolidations. Representative Wismer advised that Day County has not had any cost savings and has had a decreased level of satisfaction for services.

Senator Tapio asked if there was a way to determine a person's location with the NG9-1-1 system. Ms. Rechtenbaugh advised that the technology exists today, but the quality varies depending on a number of different factors. Calls made from a landline phone are the only ones they can know the exact location.

Representative Hunhoff moved, seconded by Senator Cronin, to accept the annual report from the South Dakota 911 Coordination Board. Motion prevailed on a roll call vote with 7 voting AYE and 3 EXCUSED. Those voting AYE: Sutton, Tapio, Cronin, Wismer, Steinhauer, Hunhoff and Peters. Those EXCUSED: Nelson, Tieszen and Anderson.

Item 2 – Department of Education to present the annual report of the Workforce Education Fund (SDCL 1-16G-49)

- **Letter to Education Doc.4**
- **FY2017 Workforce Education Report Doc.5**

Ms. Tamara Darnall, Director of Finance for the Department of Education (DOE), was present to address the Committee. She discussed the FY2017 Workforce Education Report and provided background information on the Workforce Education Fund (WEF). She explained that the WEF is a part of the Building South Dakota (BSD) Fund and is used to fund Secondary Career and Technical Education Grants and One-Time Education Enhancement Programs.

Ms. Darnall provided an overview of the Secondary Career and Technical Education Grants (Workforce Education Grants) and explained who was eligible to receive the grants. The grants are awarded on a competitive basis and $3.3 million has been awarded to 21 projects through the end of FY2017. Of the funds awarded, about $2.9 million has yet to be paid out and is obligated. Representative Wismer asked why there is such a long period of time between being awarded funds and the payments being made. Ms. Darnall explained that they process claims as quickly as they can. These are reimbursements and several projects have construction costs and are initial start-ups. They are allowed to submit as the expenditures occur.

Ms. Darnall discussed the One-Time Education Enhancement Programs and advised that $2.2 million was appropriated in 2016. $430,000 of that is for the Paraprofessional Tuition Assistance Scholarship Program and $1.77 million for Native American Achievement Schools Grants. Twelve people were originally selected for the scholarships and eight were still participating in September 2017. They awarded a second round of scholarships to six individuals who began coursework in the fall of 2017.

Ms. Darnall explained that three grants of $590,000 were awarded out of the Native American Achievement School Grants. The Smee School District notified the DOE that they no longer wanted to participate and the grant was terminated on September 26, 2017. The two remaining school projects are active.

Representative Steinhauer asked what the plans are for evaluating the success of the programs funded by the Native American Achievement School Grants. Mato Standing High, Director of Indian Education at the DOE, advised that they won't see results for a long period of time. He advised that the schools provide quarterly reports and have provided a detailed budget addressing the program requirements, and they have been reviewed. Representative Wismer asked if the Smee School District could not find staff to remain in the program. Mr. Standing High explained that it was not a personnel issue and the DOE did not receive a specific reason for their termination. Representative Hunhoff asked where the leftover money goes. Ms. Darnall explained that the funds are still obligated until June 30, 2020 and will go back to the WEF after that time. Representative Hunhoff asked if the funds could be used in the other schools and asked who makes the decisions as to where the money goes. Ms. Darnall advised that the DOE has the authority and they plan to let the funds sit there.

Item 3 – Committee review of fiscal year 2017 State of South Dakota Single Audit findings issued to date

- **FY2017 Revenue Audit Findings Doc.6**
- **FY2017 DENR Audit Finding Doc.7**

Mr. Bob Christianson, Audit Manager for the Department of Legislative Audit (DLA), was present to address the Committee. He discussed the findings issued to the Department of Revenue (DOR). The first finding had one major finding and four less major findings relating to inadequate business tax internal controls. He explained that the DOR had not performed reconciliations between the State's accounting system and the subsidiary record, the CEDAR system, since April of 2016. He also discussed the four items noted during testing. Senator Peters asked if the finding was the result of employee turnover. Mr. Christianson advised that the DOR explained that they had experienced a vacancy of a key accounting position from April 2016 – November 2016. Senator Peters advised she would like the DOR to come to the Committee to discuss the findings. Representative Wismer asked if the findings were based on new testing done this year, or if they review the information annually. Mr. Christianson explained that they look at the CEDAR system and sales tax every year. Representative Wismer asked if the timing of reconciliations could affect the timing of when the State recognizes revenue or the budget system. Mr. Christianson advised that it would not affect the revenue. Senator Peters advised that the monthly reports that they receive would be affected. Representative Wismer advised that she recognizes the corrective action plan submitted by the DOR, but would like to know the reconciliation schedule.

The second finding was due to inadequate internal controls over cash receipting and discussed the deficiencies identified in the Pierre DOR office. Senator Peters asked why these problems are coming up now and asked if there was a process change that might contribute to the finding. Mr. Christianson advised that being onsite has allowed the auditors greater opportunities for identifying weaknesses and doesn't think there were any changes.

The third finding was due to a lack of motor fuel manual return waivers. The DOR advised that they did not have an official waiver form, but will prepare one to attach to the CEDAR system. Representative Wismer asked if questioned costs were calculated for the finding. Mr. Christianson advised that federal findings require questioned costs calculations. This finding focused on having proper forms submitted rather than the dollar amount. Representative Wismer asked why there was a resistance to filing electronically. Senator Peters advised that she knows of people who just will not file electronically.

The fourth finding was due to insufficient evidence for approval of monthly revenue corrections. Mr. Christianson advised that these were internal documents that contained an electronic approval of someone who no longer worked there.

The fifth finding was inadequate motor vehicle reconciliations where reconciliations were not being performed on the SD CARS system. DOR advised it was due to an extended employee vacancy. Mr. Christianson advised that there were also some law changes made that had not been updated on the SD CARS systems. Representative Wismer asked if the employee vacancy was the same as from the first finding. Mr. Christianson believes it was the same individual doing both reconciliations.

The sixth finding was inadequate bank tax internal controls. Multiple exceptions were found in regards to the information recorded on the CEDAR system. Representative Steinhauer asked how they are going to ensure that we are collecting the right taxes for the rest of the months not tested. Mr. Christianson

advised that the DOR works with the Division of Banking and does comparisons on the two systems. He feels this will eventually catch the errors, causing a delay, but not an issue with the amount collected.

Mr. Christianson then discussed the finding issued to the Department of Environment and Natural Resources (DENR) on the Clean Water State Revolving Fund. DENR collects surcharge fees which is program income and should be deposited into a restricted account. Mr. Christianson noted that DENR did change trustee banks during the timeframe audited, which could have contributed to the errors.

Item 4 – Committee selection of GOAC Blue Book of Other Funds to review

- **Other Funds Analysis FY2017 Doc.8**

Mr. Bob Christianson, Audit Manager with the Department of Legislative Audit, advised the Blue Book is a snapshot of all the other funds of the State reported on a cash basis. He provided the analysis performed on funds with changes in equity of $500,000 or more (Analysis). Representative Steinhauer suggested including a metric that compares the net change over the last three years to the ending equity in future analyses.

Committee members discussed the funds listed and identified the following nine funds that they would like to review:

- Unemployment Compensation Fund
- Attorney General Other Fund
- Court Automation Fund
- Extraordinary Litigation Fund
- Railroad Administration Fund
- Railroad Trust Fund
- South Dakota Ellsworth Development Authority
- State Employees Benefits Plan Fund
- Future Fund

Senator Peters asked members to email the Committee with any additions next week.

Item 5 – GOAC Subcommittee to present the performance indicators from the seven agencies for the 2017 interim for Committee approval

- **Performance Indicators 2017 Doc.9**

Representative Steinhauer advised this is a resubmission of Performance Indicators received by the Committee throughout the year. He feels there is room for improvement in the content, but doesn't feel that it is appropriate to have these agencies redo them. Representative Wismer asked about the population measured in the data provided by the Department of Health. Representative Hunhoff believes that it includes the whole population of South Dakota that responded to the survey.

Representative Steinhauer moved, seconded by Representative Anderson, to accept the Performance Indicators Report. Motion prevailed on a roll call vote with 6 voting AYE, 1 NAY and 3 EXCUSED. Those voting AYE: Sutton, Wismer, Steinhauer, Anderson, Hunhoff and Peters. Those voting NAY: Tapio. Those EXCUSED: Nelson, Cronin and Tieszen.

Item 6 – Committee Review of the draft 2017 GOAC Annual Report

- **Draft 2017 GOAC Annual Report Doc.10**
- **Amendments to GOAC Report Doc.11**

Senator Peters explained that the Draft 2017 GOAC Annual Report is what was presented at the October 5 & 6, 2017 Committee meeting. The Amendments to GOAC Report include staff's changes and recommended changes received from Committee members.

Mr. Tim Flannery, Audit Manager with the Department of Legislative Audit, discussed the staff changes listed in Amendment 1. New sections were added to include topics discussed during the October 5 & 6, 2017 Committee meeting, as well as a revision to include additional information and deletion to remove an inaccurate reference.

Representative Steinhauer moved, seconded by Senator Cronin, to approve Amendment 1 to the 2017 GOAC Annual Report. The motion prevailed on a roll call vote with 7 voting AYE and 3 EXCUSED. Those voting AYE: Sutton, Tapio, Cronin, Steinhauer, Anderson, Hunhoff and Peters. Those EXCUSED: Nelson, Wismer and Tieszen.

Mr. Flannery discussed Amendment 2 submitted by Senator Nelson. Senator Peters asked if the statements were accurate. Mr. Flannery advised that staff listened to testimony from the Board of Regents Executive Director and were not able to verify the accuracy of the first statement. There was no motion to approve Amendment 2.

Senator Peters discussed the changes proposed in Amendment 3 including moving the performance indicators to an appendix at the end of the report and adding and revising additional information.

Senator Sutton moved, seconded by Representative Anderson, to approve Amendment 3 to the 2017 GOAC Annual Report. The motion prevailed on a roll call vote with 7 voting AYE and 3 EXCUSED. Those voting AYE: Sutton, Tapio, Cronin, Steinhauer, Anderson, Hunhoff and Peters. Those EXCUSED: Nelson, Wismer and Tieszen.

Representative Wismer explained the change she proposed in Amendment 4 to address concern on conflict of interest waivers. Committee members discussed conflicts of interest and how they could be managed. Representative Wismer revised her proposed amendment to read as follows: The Committee expressed concern that all departments are not aware of the conflict of interest requirements and that further amendments to the conflict of interest provisions may be needed in the future.

Representative Wismer moved, seconded by Representative Anderson, to approve the revised Amendment 4 to the 2017 GOAC Annual Report. The motion prevailed on a roll call vote with 8 voting AYE and 2 EXCUSED. Those voting AYE: Sutton, Tapio, Cronin, Wismer, Steinhauer, Anderson, Hunhoff and Peters. Those EXCUSED: Nelson and Tieszen.

Committee members discussed the addition proposed by Senator Nelson in Amendment 5. Representative Hunhoff suggested revising Amendment 5 to read as follows: The Committee plans to invite the DOT, the Chair of the State Railroad Board, and at the discretion of the DOT, the owner of the

DSRC to a future Committee meeting. The Committee is considering asking the Department of Legislative Audit to review revenue figures reported by operators of State owned rail lines.

Representative Hunhoff moved, seconded by Representative Anderson, to approve the revised Amendment 5 to the 2017 GOAC Annual Report. The motion prevailed on a roll call vote with 7 voting AYE, 1 voting NAY and 2 EXCUSED. Those voting AYE: Sutton, Cronin, Wismer, Steinhauer, Anderson, Hunhoff and Peters. Those voting NAY: Tapio. Those EXCUSED: Nelson and Tieszen.

Senator Peters asked Committee members for input on any additional changes to the annual report. Representative Steinhauer moved, seconded by Representative Hunhoff, to adopt the 2017 GOAC Annual Report as revised.

Senator Sutton asked what the staff process was for deciding what information was included in the Mid Central Educational Cooperative Section. Mr. Flannery advised that it was based on his recollection of events. Senator Sutton voiced his concern relating to the testimony provided by the Department of Education as well as not addressing all of those who were involved.

Representative Wismer moved, seconded by Senator Sutton, a substitute motion to add a sentence to the last paragraph on page 16 stating the following: The Committee heard evidence that DOE administration disregarded several concerns about GEAR UP expressed by the Directors of Indian Education. The motion failed on a roll call vote with 3 voting AYE, 5 voting NAY and 2 EXCUSED. Those voting AYE: Sutton, Tapio and Wismer. Those voting NAY: Cronin, Steinhauer, Anderson, Hunhoff and Peters. Those EXCUSED: Nelson and Tieszen.

Discussion resumed on the original motion to adopt the 2017 GOAC Annual Report as amended. The motion prevailed on a roll call vote with 5 voting AYE, 3 voting NAY and 2 EXCUSED. Those voting AYE: Cronin, Steinhauer, Anderson, Hunhoff and Peters. Those voting NAY: Sutton, Tapio and Wismer. Those EXCUSED: Nelson and Tieszen.

Item 7 – Topics for the December 18, 2017 meeting

The next meeting is scheduled for Monday, December 18, 2017 in Pierre, SD.

Agenda items for the December 18th meeting:

- Review selected GOAC Blue Book of Other Funds – bring in agencies identified earlier
- Board of Education Standards – annual accountability report from the Technical Institutes
- Department of Transportation, State Rail Board, and Dakota Southern to answer Committee questions
- Department of Revenue – Audit findings
- State Board of Records Retention
- Unified Judicial System – update on the outreach for the Juvenile Justice Reform Initiative

A motion was made by Representative Anderson to adjourn, seconded by Representative Steinhauer. The motion prevailed on a roll call vote with 7 voting AYE and 3 EXCUSED. Those voting AYE: Sutton, Tapio, Wismer, Steinhauer, Anderson, Hunhoff and Peters. Those EXCUSED: Nelson, Cronin and Tieszen.