

MINUTES

Government Operations & Audit Committee



Senator Ryan Maher, Chair
Representative Sue Peterson, Vice Chair

**First Meeting, 2019 Interim
Wednesday, April 24, 2019**

**Room 362 – State Capitol
Pierre, South Dakota**

The first meeting of the 2019 Interim Government Operations and Audit Committee (Committee) was called to order by Chair Maher at 8:02 a.m., April 24, 2019, in room 362, State Capitol Building, Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Representatives Latterell, Haugaard, Peterson and Senators Wismer, Wiik, Rusch and Maher. Representative Karr and Senator Cronin joined by conference call. Representative Bordeaux joined after roll was called.

Staff members present were Martin Guindon, Auditor General, Tim Flannery and Bob Christianson, State 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

Senator Cronin moved, seconded by Representative Peterson, the minutes of the October 25, 2018 meeting be approved ([Minutes 10-25-18](#)). Motion prevailed unanimously on a voice vote.

Item 1 – University of South Dakota:

- **Report by President Sheila Gestring on the investigation related to the Free Speech Policy and Hawaiian Day incident at the USD Law School**
- **The operational plan of the Board of Regents to replace the University Center in Sioux Falls with a new college under the University of South Dakota**
- [Letter to University of South Dakota Doc.2](#)

Sheila Gestring, President for the University of South Dakota (USD), was present to address the Committee. She provided comments about the Hawaiian Day incident at USD and provided the findings of the investigation. AJ Franken, General Counsel for USD, conducted the investigation surrounding the Hawaiian Day name change. He provided a detailed timeline and discussed applicable USD policy. Representative Latterell asked how USD was going to handle similar situations in the future. Ms. Gestring advised that they are having discussions on campus, emphasizing the importance of being clear on advice issued and allowing the student body to come up with solutions. Senator Cronin asked if there was a threat of any legal action due to the incident. Mr. Franken advised there is no indication of a legal threat.

Ms. Gestring discussed the operational changes of the University Center-Sioux Falls (UC-SF) and discussed the new memorandum of understanding (MOU) with USD. Dr. Carmen Simone, Executive Director of the University Center-Sioux Falls (UC-SF), was present to address the Committee. She explained that they recognize a gap between technical schools and universities and they hope to provide a connection like a community college would. It will be a branch of USD and will be called the Community College for Sioux Falls. Senator Cronin voiced his concerns and dissatisfaction with the legislature not having more information before the MOU was finalized. He requested to see documentation for self-funding.

Item 2 – Legislative Research Council to provide instructions on the use of Board Papers

Hilary Carruthers, IT Support Specialist with the Legislative Research Council, was present to address the Committee. She presented training on the digital three ring binder program, Board Papers, used by Committee members.

Item 3 – Former Senator Michael Vehle to provide background information on the agency performance management review process

- [Letter to Vehle Doc.3](#)

Michael Vehle, former State Senator, was present to address the Committee. He provided background information on the performance management reports required of the State agencies. He was involved with the Legislative Planning Committee that helped the first agencies develop their reports. He advised the agencies should report on outcomes, not output and should limit the report to two to three pages. He emphasized the importance of the Committee taking an interest in the performance management reports.

Item 4 – Department of Game, Fish and Parks to discuss performance management indicators (SDCL 2-6-35)

- [Letter to GF&P Doc.4](#)
- [GF&P Performance Measures Doc.4a](#)

Chris Petersen, Finance Officer for the Department of Game, Fish and Parks (GF&P), was present to address the Committee. He provided background information on how they worked with the former Legislative Planning Committee to produce their performance management indicators and presented their current [performance measures](#). He explained they have focused on two goals: providing outdoor recreational opportunities and inspiring confidence. The report shows the metrics under the goals, as well as the dashboard graphs. He discussed the tracking of survey results and how they used those in developing their goals. He stated the survey has been fairly standardized.

Senator Cronin discussed public meetings held by GF&P and taking follow up surveys. Kevin Robling, Deputy Secretary of GF&P, advised that they take public opinions and comments to heart. The Committee provided several ideas for updating their metrics. Senator Cronin moved, seconded by Representative Bordeaux, to approve the GF&P performance measures reported for this year, and have GF&P develop a form for public comment and provide a report in October on matching funds for pheasant habitat. Representative Peterson made a substitute motion to ask GF&P to come back at a future date and incorporate the changes that were discussed by the Committee into their performance

metrics, seconded by Senator Rusch. Representative Peterson withdrew her substitute motion, seconded by Senator Rusch. The withdrawal of the substitute motion passed on a voice vote. The discussion moved back to the original motion. The original motion prevailed unanimously on a roll call vote.

Item 5 – Department of Agriculture to discuss performance management indicators

- [Letter to Agriculture Doc.5](#)
- [Ag Performance Measures Doc.5a](#)

Dani Hanson, Policy Advisor for the Department of Agriculture, was present to address the Committee. She advised they used their mission statement to develop the five metrics in the [performance measures](#). She stated these metrics were established while working with the Legislative Planning Committee. Ms. Hanson reviewed each of the metrics, it's current relevancy and provided ideas for new metrics. Senator Rusch stated he thinks agencies should be able to report on new and current happenings. The Committee asked the Department of Agriculture to update their measures and report back to the Committee at a later date.

Item 6 – Department of Transportation to discuss performance management indicators

- [Letter to Transportation Doc.6](#)

Darin Bergquist, Secretary of the Department of Transportation (DOT), was present to address the Committee. He presented the DOT's [2018 Performance Measure Report](#) and answered several questions from the Committee. Committee members offered input, suggested updating various measures and asked them to report back to the Committee at a later date.

Item 7 – Brand Board to review the 2018 annual report

- [Letter to Brand Board Doc.7](#)
- [Brand Board Annual Report Doc.7a](#)

Debbie Trapp, Director of the Brand Board, was present to address the Committee. She provided a brief overview of the Brand Board and presented their [Annual Report](#). She discussed livestock inspections, inspection fee deposits, missing or stolen livestock statistics, recovered strays and Brand Board holds. The Brand Board currently has one livestock investigator. He is currently attending the Law Enforcement Academy, so he can assist in compliance checks. They would like to have an additional brand inspector certified in law enforcement. During the 2019 Legislative session, a bill passed allowing the Brand Board to increase the maximum allowed for fees charged for the brand program.

Senator Maher asked how the Brand Board is improving the workflow of the application process for brands. Ms. Trapp advised they have changed the application form, she suggested applicants check the online brand program before submitting an application and they are sending out examples as to why applications are being denied. They also plan to add survey questions during the renewal process to see if the brands are active. Senator Wiik moved, seconded by Representative Latterell, to approve the 2018 Brand Board Annual Report. Motion prevailed unanimously on a voice vote.

Item 8 – Department of Legislative Audit to review the Single Audit Report for the State of South Dakota for the fiscal year ended June 30, 2018

- [FY18 Single Audit Report Doc.8](#)
- [Single Audit Overview Doc.9](#)

Bob Christianson, State Government Audit Manager with the Department of Legislative Audit (DLA), was present to address the Committee. He explained that the [Single Audit Report](#) is an audit of the State's financial statements and its federal awards. Mr. Christianson discussed the audit standards used by DLA. The first section of the Single Audit Report, the Comprehensive Annual Financial Report (CAFR), is a detailed presentation of the State's financial position and activities for the fiscal year. The CAFR was issued on December 28, 2018 and contains three main sections, the Introductory Section, the Financial Section and the Statistical Section. The Independent Auditor's Report provided an unmodified opinion, meaning the financial statements were presented fairly and accurately.

The government-wide financial statements start on page 34 and provide the overall view of the State. Mr. Christianson discussed the additional information he provided on page five in the [Single Audit Overview](#). He also discussed major governmental, enterprise funds and fiduciary funds. He provided a comparison showing the differences between two funds in the GOAC Blue Book and the amounts presented in the CAFR.

Tim Flannery, State Government Audit Manager with DLA, was present to address the Committee. He discussed the Schedule of Expenditures of Federal Awards (SEFA), starting on page 199. The Auditor General's opinion was that the SEFA was fairly stated in all material respects in relation to the basic financial statements as a whole. Mr. Flannery discussed the summary listing of expenditures by federal agencies. The total of federal expenditures, including outstanding loan balances, for fiscal year 2018 were \$2.2 billion. He also pointed out the notes to the SEFA, which provide additional information about the SEFA. Mr. Christianson discussed how DLA determines which grants to audit.

Mr. Christianson advised that they identified two findings that were material weaknesses, and a third finding that was a significant deficiency. The National Bioterrorism Hospital Preparedness Program received a qualified opinion. The other programs audited received an unqualified opinion.

Mr. Christianson and Mr. Flannery reviewed the current audit findings:

Finding No. 2018-001: Department of Revenue (DOR) – A repeat material weakness audit finding on internal controls over business tax revenue reconciliations.

Finding No. 2018-002: DOR – A material weakness audit finding on internal controls over motor fuel tax revenue reconciliations.

Finding No. 2018-003: DOR – A repeat significant deficiency audit finding on internal controls over motor vehicle titles and registrations revenue reconciliations.

Representative Peterson asked if DLA was satisfied with DOR's corrective action plans. Mr. Christianson advised that DLA is working on DOR's current audit and should know shortly if they have followed up and resolved the findings. Senator Wismer voiced her concerns about agencies having findings due to having problems replacing talent.

Finding No. 2018-004: Department of Social Services (DSS) – A significant deficiency and noncompliance audit finding on inadequate controls over the calculation of the diagnosis related group reimbursement rates.

Mr. Flannery recited South Dakota Codified Law 2-6-4.1 as guidance for the Committee's authority regarding agencies that have audit findings. He explained that in the past, the Committee has asked agencies to come before the Committee to discuss the findings and their corrective action plans.

Finding No. 2018-005: Department of Health (DOH) – A material weakness and noncompliance audit finding for inadequate controls over subrecipients.

Finding No. 2018-006: DOH – A significant deficiency and noncompliance audit finding for inadequate controls over allowable costs.

Finding No. 2018-007: South Dakota Ellsworth Development Authority – A significant deficiency audit finding for a lack of proper controls over financial reporting, resulting in an audit adjustment.

Finding No. 2018-008: Soybean Research and Promotion Council – An audit finding for the lack of proper controls over financial reporting and requesting the auditors to prepare the financial statements.

Finding No. 2018-009: Soybean Research and Promotion Council – An internal control audit finding for the lack of segregation of duties for control over financial reporting.

Finding No. 2018-010: Corn Utilization Council – An internal control audit finding for the lack of proper controls over the preparation of financial statements and requesting the auditors prepare the financial statements.

Finding No. 2018-011: Corn Utilization Council – A State compliance audit finding identifying that the Council failed to remit a producer refund within the 60-day mandate.

Item 9 – Future meeting topics

Senator Rusch requested the Committee invite the Department of Health, Department of Social Services, Department of Revenue and the Department of Education to come to the May meeting to discuss what they are doing in response to their audit findings.

The following dates were scheduled for Committee meetings: May 23, 2019 and June 11, 2019. The remaining dates will be determined at a future time.

Mr. Flannery advised that he has been in contact with all seven agencies for reporting on their performance management indicators. They will be included in the meetings as their schedules allow. Mr. Guindon offered input on the performance management reports and provided guidance on future steps.

There was no one present for public testimony.

A motion was made by Senator Rusch to adjourn, seconded by Senator Wiik. The motion passed on a voice vote.