



MINUTES

GOVERNMENT OPERATIONS AND AUDIT COMMITTEE

**Eighth Meeting
2008 Interim
December 01, 2008**

**LCR 1
State Capitol
Pierre, South Dakota**

The eighth meeting of the 2008 Interim Government Operations and Audit Committee was called to order by Chair Gant at 10:03 a.m., December 01, 2008, in LCR 1, State Capitol Building, Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Senators Dan Sutton, Jason Gant, Jean Hunhoff, Jerry Apa, and Scott Heidepriem; Representatives Margaret Gillespie, Deb Peters, and Larry Tidemann. Representatives Garry Moore and Michael Buckingham were excused.

Staff members present were Mr. Martin L. Guindon, Auditor General, Mr. Bob Christianson, and Mr. Tim Flannery, State Government Audit Managers for the Department of Legislative Audit (DLA).

Approval of Minutes

Senator Sutton moved, seconded by Senator Hunhoff, the minutes of the November 10, 2008 meeting be approved. Motion prevailed unanimously on a voice vote.

Department of Tourism and State Development – Discussion on Lawrence & Schiller Inc. Contract and Eagle Creek Software (Doc 2.2 & 2.1)

Mr. Richard Benda, Secretary for the Department of Tourism and State Development, Mr. Ken Behrendt, President of Eagle Creek Software, and Mr. Trace Beck, President of the Pierre Economic Development Corporation (PEDCO) answered Committee questions regarding Eagle Creek Software. Mr. Behrendt explained the function of Eagle Creek Software is to provide a high quality product at a lower price point to compete with companies doing business outside of the United States. Mr. Behrendt testified that Eagle Creek has an operation of approximately 100 employees at Valley City, North Dakota. Mr. Behrendt explained that Eagle Creek looked at areas that would be able to house an additional 200 employees and found Pierre a suitable location. The average annual salary for an employee with 3 years of experience at the North Dakota location is approximately \$47,000. The average annual salary for an employee in the Pierre location currently is \$37,000 to \$40,000. Approximately 85% of the Eagle Creek Software employees originate from outside the state of South Dakota. Mr. Trace Beck testified to the financial support that PEDCO has provided to assist Eagle Creek Software in getting established in Pierre.

Mr. Benda addressed the Committee in regards to a contract with Lawrence & Schiller. The Committee voiced concern about accountability and oversight of the contract and questioned if the product could be delivered at a lower cost. The product involved in this contract is advertising for tourism. Mr. Benda assured the Committee that they would continue to monitor this contract to assure it returns positive results for the money spent.

South Dakota International Business Institute – (Doc 3.1)

Dr. Laurie Stenberg Nichols, Interim President of Northern State University, Mr. Clyde Arnold, Vice-President of Academic Affairs for Northern State University, and Mr. Joop Bolin, Director of the South Dakota International Business Institute (SDIBI) were present to address Committee questions.

Mr. Arnold testified that in 1989 Northern State University started offering a new major in international business. At that time it was decided to offer a program to train students in international business and tie it into economic development, thus starting the SDIBI. Mr. Bolin was hired in 1994 to assist in an export promotion program and hold educational workshops on how to engage in international business. Mr. Bolin testified that South Dakota is significantly ahead of neighboring states and the national average in conducting international business. There was no further discussion.

Birth to 3 – (Doc 5.1a)

Mr. Tim Flannery, Department of Legislative Audit reviewed the information submitted by the Department of Education. Ms. Pat Schaefer, Vice President of Community Relations for Children's Care Hospital and School in Sioux Falls was on hand to address the Committee. Ms. Schaefer offered several suggestions for the Committee to consider in working with the Department of Education on the Birth to 3 funding issues. Ms. Susan Sheppick, Director for Birth to 3, Department of Education, and Ms. Tamara Darnall, Finance Officer, Department of Education were also on hand for testimony. Ms. Sheppick answered Committee questions. There was no further discussion.

Department of Transportation – Discussion of Certain Highway Projects (Doc 4.1 & 4.2)

Mr. Darrin Bergquist, Secretary for the Department of Transportation was on hand to answer Committee questions on construction projects on US 212/US 81 in Watertown. Mr. Bergquist testified to the importance of the projects from a safety concern. The Committee questioned the order of completion for the projects. Mr. Bergquist assured the Committee he is confident the process is proceeding as it should. Representative Bob Faehn from District 5, and Mr. Craig Atkins, Focus Watertown also gave testimony in support of the projects.

Responses on Licensing Dates and Fees (Doc 5.2e, 5.2f, and 5.2g)

Mr. Flannery reviewed the responses submitted by the various agencies. All agencies replied that they did not wish to make any changes to the defined license periods already in place. There was no further discussion.

Department of Revenue – Discussion on Construction Projects Tax (Doc 5.3a)

Mr. Flannery reviewed the information submitted. There was no further discussion.

GOAC Report 2008 – (Doc 5.4)

The final 2008 GOAC Report was presented by Mr. Gary Hoscheid, Department of Legislative Audit, to the Executive Board on November 17, 2008.

Department of Labor – Review of Correspondence with the State of North Dakota (Doc 5.5)

Chair Gant reviewed correspondence regarding the ongoing issue of reciprocity between the South Dakota Electrical Commission and the State of North Dakota. There was no further discussion.

Department of Corrections – Inmate Labor Spreadsheet (Doc 5.6a, 5.6b, and 5.6c)

Mr. Flannery reviewed the information provided. There was no further discussion.

Future Items for Discussion

No future items were discussed at this time.

Future Meeting Dates

No future meeting dates were discussed at this time.

Senator Sutton moved, seconded by Representative Tidemann, to adjourn the meeting. Motion prevailed unanimously on a voice vote.

The Committee adjourned the meeting at 2:30 p.m.



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