



MINUTES

GOVERNMENT OPERATIONS AND AUDIT COMMITTEE

**Fourth Meeting
2011 Interim
December 7, 2011**

**Room 413
State Capitol
Pierre, South Dakota**

The fourth meeting of the 2011 Interim Government Operations and Audit Committee was called to order by Chair Carson at 9:00 a.m., December 7, 2011, in LRC Room 413, State Capitol Building, Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Senators Jeff Haverly, Deb Peters, Larry Tidemann, and Jim Hundstad; Representatives Lance Carson, Kent Juhnke, Charles Turbiville, Paul Dennert, and Dan Dryden. Senator Jean Hunhoff was excused.

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

Approval of Minutes

Representative Turbiville moved, seconded by Representative Juhnke, the minutes of the October 13, 2011 meeting be approved. Motion prevailed unanimously on a voice vote. (Doc.1)

Department of Public Safety – Status of Missouri River Flood Loans/Other Funds (Doc. 2)

Mr. Trevor Jones, Secretary for the Department of Public Safety was present to discuss the following funds. Mr. Jones first addressed the Committee regarding Company 3144 – Special Emergency and Disaster Special Revenue Fund. Mr. Jones explained how the fund was utilized to loan money to the communities of Dakota Dunes, Pierre, and Ft. Pierre during the Missouri River flooding this past summer. Mr. Jones also detailed the dollar amounts loaned, the interest rate on the loans, and how FEMA reimburses the communities to help decrease the loan amounts. Mr. Jones stated that he was not concerned at this time about any of the communities defaulting on the loans. Some Committee questions followed. There was no further discussion at this time. Mr. Jones explained the fund balance in the SD 911 Coordination Fund. Mr. Jones testified that the revenue in the fund comes from monies collected from prepaid wireless telecommunications, and the fund is expended for travel and board expenses. Mr. Jones also testified that Next Gen system will be considered to update the 911 system, and the initial cost could be approximately \$1,000,000. There was no further discussion at this time. Mr. Jones discussed Company 3184 – Cigarette Fire Safety Standard Act Fund. Mr. Jones testified that the money received in this fund comes from cigarettes on the market that pay a fee to comply with requirements to be fire safe/slower burning. A bill has been submitted to LRC to allow spending down of the fund, which would allow the Department of Public Safety to use the fund to enhance fire safety and provide for fire-fighter training. The fee is collected every three years. There was no further discussion on this fund. Mr. Paul Merriman, Public Safety, State Fire Marshall's office testified to a question regarding safety compliance of the roll your own cigarettes. Committee requested Mr. Merriman provide more

information regarding this question as it comes available. Mr. Jones discussed Company 3184 – Motorcycle Safety. Mr. Jones explained the function of this fund is to provide motorcycle safety classes. The money in the fund comes from a \$7 fee collected for each motorcycle license sold. Mr. Jones testified that the Department of Public Safety has an aggressive campaign to get more motorcyclists into safety courses. There was no further discussion on this fund.

Update on Meeting With State Engineer and Associated General Contractors of South Dakota – Building Chapter (Doc. 8)

Representative Dan Dryden handed out a document and addressed the Committee on the November 9, 2011 meeting with Representative Lance Carson; Mr. Tim Flannery, Department of Legislative Audit; Ms. Deb Mortenson, Associated General Contractors; Mr. Jason Gusso, an insurance provider; Mr. Jerry Johnson, contractor; Ms. Kristi Honeywell, State Engineer, Office of the State Engineer; and Mr. Rich Ivey, Project Engineer, Office of the State Engineer. Mr. Dryden outlined the items discussed in the meeting. The meeting was organized by process items and legal items. It was an open exchange of ideas on how business could be improved going forward. Representative Carson testified that the meeting was productive. There was no further discussion at this time.

Department of Legislative Audit – Update of 2011 Audits and Findings

Mr. Bob Christianson, Department of Legislative Audit addressed the Committee on the completed 2011 audits and the audits currently in progress. Mr. Christianson also explained the audits that are in process with private accounting firms.

Bureau of Personnel – Overview of State Policies for Paying Employee Bonuses (Doc. 3)

Ms. Sandy Zinter, Commissioner for the Bureau of Personnel was present to address the Committee regarding bonuses paid to select Department of Health personnel for the H1N1 vaccination effort. This discussion is in relation to a Department of Health audit finding for FY 2010. Ms. Zinter testified that the Bureau of Personnel worked very closely with the Department of Health to formulate criteria for the bonuses. Ms. Zinter also testified that the reasoning for the bonuses was due to the nationally recognized results that were attained by South Dakota's Department of Health. Ms. Zinter stated that at this time there is no Bureau of Personnel criteria for paying state bonuses due to the infrequency and uniqueness of the request. Some Committee discussion followed with a suggestion by a Committee member that the Bureau of Personnel develop a policy or guidance for agencies to use if this type of situation occurs in the future. This topic may be revisited at a later date.

Department of Revenue – Other Funds (Doc. 4)

Mr. Andy Gerlach, Secretary for the Department of Revenue was present to address the Committee on the following funds. Mr. Gerlach first addressed the Committee regarding Company 6516 – Video Lottery Operating Fund. Mr. Gerlach explained the purpose of the fund, the funding source and the expenses for the fund. Some Committee discussion followed. Mr. Gerlach discussed Company 3185 – South Dakota Bred Racing Fund and Special Racing Revolving Fund. Mr. Gerlach testified that these funds are used to operate horse racing tracks in Ft. Pierre and Aberdeen, to encourage racing and breeding of race horses in South Dakota, and also for payouts at the races. Mr. Gerlach stated that this fund does not generate revenue for the state. Mr. Larry Eliason, Executive Director for the South Dakota Commission on

Gaming also testified to some Committee questions regarding the funds revenue sources and expenditures. There was no further discussion.

Department of Education – Other Funds (Doc. 5)

Dr. Melody Schopp, Secretary of the Department of Education, and Ms. Tamara Darnall, Director of Finance, Department of Education were present to address the Committee regarding the following funds. Ms. Darnall first addressed the Committee regarding Company 3138 – State Institute Fund. Ms. Darnall testified that the expenditures are greater than the revenues. Ms. Darnall also stated that the programming for the teacher data base comes out of this fund. Dr. Schopp testified that the spending authority for this fund had been expanded in 2006 and has allowed the Department of Education to better utilize this fund. There was no further discussion at this time. Ms. Darnall then discussed Company 3138 – Department of Education Other Fund. Ms. Darnall testified that this fund is made up of grants and donations, E-rate dollars, and technical fees. There was no further discussion on this fund. Lastly, Ms. Darnall discussed Company 3146 – State Library Fund. Ms. Darnall explained the source of funding and expenditures for this fund. There was no further discussion at this time.

Department of Environment and Natural Resources – Other Funds (Doc's. 6 & 7)

Mr. Steve Pirner, Secretary of the Department of Environment and Natural Resources; Mr. David Templeton, Director of Financial and Technical Assistance, Department of Environment and Natural Resources; Mr. Rob Green, Finance Officer, Department of Environment and Natural Resources; Mr. Tim Tollefsrud, Division Director, Division of Environmental Services, Department of Environment and Natural Resources; and Mr. Jim Feeney, Administrator, Department of Environment and Natural Resources were present to address the Committee regarding various funds within Company 3075. Mr. Templeton first addressed the Committee regarding the Water and Environment Fund, and the Clean Water and Drinking Water State Revolving Funds. Mr. Templeton handed out Document #7 and gave a detailed overview of how the funds were established, where the revenues come from, and how the funds are expended. Mr. Green and Mr. Feeney answered Committee questions regarding fund balance fluctuations and water projects ongoing in the state. The Committee questioned the fluctuation in tax revenue for Company 3073 – Water and Environment Fund. Mr. Green explained that this is revenue received from the Department of Revenue for the Department of Environment and Natural Resource's share of contractors excise tax on water projects greater than twenty million dollars. The Committee plans to ask the Department of Revenue for an explanation of what internal controls are in place for this activity and how this revenue is calculated and disbursed. Mr. Bob Christianson, Department of Legislative Audit answered Committee questions regarding the accounting and financial reporting activities of the Department of Environment and Natural Resources. Mr. Tim Tollefsrud then addressed the Committee on the Hazardous Waste Revolving Fund. Mr. Tollefsrud referred to Document 7 and gave the Committee an overview of the background, source of income, and expenditures for the Hazardous Waste Revolving Fund. There was no further discussion at this time.

Future Items for Discussion

- DOT Weed Spraying – Private Contractor Spraying
- An update on the Medicaid Management Information System
- Process used by the Department of Revenue to calculate and pay the Department of Environment and Natural Resources their share of contractors excise tax associated with large water projects

Future Meeting Date

The tentative date for the next Committee meeting was scheduled for January 9, 2012 at 2:00 PM.

Representative Turbiville moved, seconded by Representative Juhnke to adjourn the meeting. Motion prevailed unanimously on a voice vote.

The Committee adjourned the meeting at 2:20 p.m.



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