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August 20, 2015

To: Executive Board of the Legislative Research Council
From: Marty Guindon, Auditor General
Subject: FY2017 budget request for the Department of Legislative Audit

Introduction

This memorandum contains a summary of the budget request for the Department of Legislative Audit (DLA) for FY2017. Following this memorandum are the request narratives by expenditure object in the form that they are to be submitted to the Bureau of Finance and Management so that you can see the details of the FY2017 budget request.

FY2017 Budget Request

I am requesting a \$39,970 increase in Legislative Audit's budget for FY2017 when compared with the FY2016 authorized budget. The three needs for the requested increase in funds are in personal services (\$24,068), travel (\$3,000) and contractual services (\$12,902).

Personal Services

The major increase to the budget for FY2017 is a request for additional money to fund the Legislative Audit compensation plan for FY2017. I am requesting \$24,068 in salaries and benefits dollars for this purpose.

Travel

Lodging and meal reimbursement rates for employee travel have increased. While I believe we can absorb the increase in the meal reimbursement rates, I am requesting an increase in the budget for in-state lodging of \$3,000 to address the ongoing increase in reimbursement rates from \$50 to \$55 in the non-summer months and \$70 in the summer months.

Contractual Services

I am requesting an increase of \$12,902 in contractual services to pay for the ongoing annual maintenance cost of our electronic working paper software that we implemented last fiscal year.

Summary of F2017 Request

A summary by object of the FY2017 budget request compared with the FY2016 budgeted amounts follows:

Object	FY2016 Budgeted	FY2017 Requested	Increase/(Decrease)
Personal Services	\$3,187,220	\$3,211,288	\$24,068
Travel	\$135,943	\$138,943	\$3,000
Contractual Svcs	\$173,349	\$186,251	\$12,902
Supplies/Materials	\$22,500	\$22,500	\$0
Capital Outlay	\$1,642	\$1,642	\$0
Totals	\$3,520,654	\$3,560,624	\$39,970

Thank you for your consideration of this request. I look forward to discussing the budget with you on August 24th.

Budget Request Narrative

Fiscal Year: 2017
Center: 2880 Auditor General

Department: LEGISLATURE
Object: 51 EMPLOYEE SALARIES

Subobject	Actuals 2014	Actuals 2015	Current OPB	Inflation	Exp/Red	Request Amount
5101010 F-T EMP SAL & WAGES	2,068,315	2,327,228	2,515,169	0	18,351	2,533,520
5102010 OASI-EMPLOYER'S SHARE	152,345	169,585	193,825	0		193,825
5102020 RETIREMENT-ER SHARE	124,099	137,855	148,000	0	4,000	152,000
5102060 HEALTH INSURANCE-ER SHARE	313,724	312,548	327,636	0		327,636
5102080 WORKERS COMPENSATION	1,448	233	1,727	0	46	1,773
5102090 UNEMPLOYMENT COMPENSATION	661	1,046	863	0	1,671	2,534
TOTAL:	<u>2,660,591</u>	<u>2,948,495</u>	<u>3,187,220</u>	0	24,068	<u>3,211,288</u>
FTE:	33.5	36.2	39.0		0.0	39.0

Narrative Justification

The base appropriation includes the following positions:

- 1 Auditor General
 - 3 Audit Manager
 - 1 Information Systems Audit Manager
 - 1 Director Of Local Government Assistance
 - 29 Auditors
 - 1 Finance Officer
 - 2 Statistical Secretaries
 - 1 Interns/Overtime
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Additional funds are requested to fund the compensation plan for FY17 as approved by the Executive Board.

Salaries and Benefits

The following is requested for salaries for FY2017:

FY2016 Salaries	2,406,328
Promotions	28,853
Longevity	12,200
Auditor I Progress	12,404
Movement to Midpoint	55,135
Certification Pay	<u>18,600</u>
Total FY2017 Salary Request	2,533,520
FY2016 Budgeted for salaries	<u>2,515,169</u>
Additional requested for salaries	<u><u>18,351</u></u>

An additional \$5,717 is requested in benefits to match the requested salary dollars bringing the total increase in personal services dollars to \$24,068.

Budget Request Narrative

Fiscal Year: 2017
Center: 2880 Auditor General

Department: LEGISLATURE
Object: 5203 TRAVEL

Subobject	Actuals 2014	Actuals 2015	Current OPB	Inflation	Exp/Red	Request Amount
5203010 AUTO-STATE OWNED IN-STATE	55,209	47,762	54,970	0	1,500	56,470
5203020 AUTO PRIV (IN-STATE) L/RTE	1,699	2,091	1,800	0	600	2,400
5203030 AUTO PRIV (IN-STATE) H/RTE	9,568	13,815	20,000	0	(3,600)	16,400
5203100 LODGING/IN-STATE	13,955	16,981	13,500	0	4,500	18,000
5203120 INCIDENTALS-IN-STATE	14	0	0	0	0	0
5203140 MEALS/TAXABLE/IN-STATE	14,510	13,843	16,950	0	0	16,950
5203150 NON-TAXABLE MEALS/IN-STATE	7,218	9,217	7,594	0	0	7,594
5203210 AUTO-STATE OWNED-OUT-STATE	0	0	0	0	0	0
5203230 AUTO-PRIV (OUT-STATE) H/RTE	0	0	0	0	0	0
5203260 AIR-COMM-OUT-OF-STATE	3,680	1,129	9,500	0	0	9,500
5203280 OTHER-PUBLIC-OUT-OF-STATE	209	78	380	0	0	380
5203300 LODGING/OUT-STATE	4,980	1,084	11,249	0	0	11,249
5203320 INCIDENTALS-OUT-OF-STATE	265	120	0	0	0	0
5203350 NON-TAXABLE MEALS/OUT-STATE	0	599	0	0	0	0
	111,307	106,719	135,943	0	3,000	138,943

Narrative Justification

In-state travel finances the costs associated with travel incurred by the audit staff to and from the work site during the performance of audits away from their home station. This program object of expenditure also provides for travel undertaken by the Auditor General and staff to participate in meetings of governmental groups such as city, school, and county officials' associations, and provides technical assistance on-site to political subdivisions.

The FY 2017 In-State Travel costs are based on the following estimates:

- State Car - 209,148 miles X \$.27 (average) = \$56,470
- Private Auto - High rate, 39,050 miles X \$.42 = \$16,400
- Low rate, 10,455 miles X \$.23 = \$2,405

Per Diem:

- Lodging (300 X \$60 plus tax) = \$18,000
- Meals - Overnight (367 X \$32.00) = \$9,344
- Meals - Not Overnight (1,539 X \$11.00) = \$16,929

A \$3,000 increase is requested in in-state lodging to cover the increase in the allowable room rate from \$50 to \$55 and \$70. We estimate an average of \$60 per night for the year. This will be an annual ongoing increase in expenditures.

Out-of-state travel is necessary for training and participation in regional and national meetings on governmental audit affairs. Each member of the audit staff is required to have 80 hours of continuing education every two years. The average cost per trip, per individual is estimated to be approximately \$1,175.

Budget Request Narrative

Fiscal Year: 2017
Center: 2880 Auditor General

Department: LEGISLATURE
Object: 5204 CONTRACTUAL SERVICES

Subobject	Actuals 2014	Actuals 2015	Current OPB	Inflation	Exp/Red	Request Amount
5204010 SUBSCRIPTIONS	6,363	6,692	3,500	0	0	3,500
5204020 DUES & MEMBERSHIP FEES	5,690	5,465	5,400	0	0	5,400
5204060 ED & TRAINING CONSULTANT	22,040	0	0	0	0	0
5204160 WORKSHOP REGISTRATION FEE	11,384	8,017	9,000	0	0	9,000
5204180 COMPUTER SERVICES-STATE	42,787	50,103	55,529	0	(2,500)	53,029
5204200 CENTRAL SERVICES	775	913	800	0	0	800
5204220 EQUIPMENT SERV & MAINT	238	179	1,000	0	0	1,000
5204230 JANITORIAL & MAINT SERV	6,951	4,340	4,700	0	0	4,700
5204320 AUDIT SERVICES-PRIVATE	16,000	906	0	0	0	0
5204340 SOFTWARE MAINTENANCE	28,030	0	0	0	15,402	15,402
5204410 ADVERTISING-MISCELLANEOUS	0	0	0	0	0	0
5204480 MICROFILM & PHOTOGRAPHY	97	257	0	0	0	0
5204490 RENTS-PRIVATE OWNED PROP.	58,988	60,658	60,630	0	0	60,630
5204530 TELECOMMUNICATIONS SRVCS	18,650	19,114	17,516	0	0	17,516
5204540 ELECTRICITY	4,352	4,841	4,800	0	0	4,800
5204550 GARBAGE & SEWER	1,238	1,174	750	0	0	750
5204560 WATER	2,005	1,138	675	0	0	675
5204580 TRUCK-DRYAGE & FREIGHT	61	62	500	0	0	500
5204590 INS PREMIUMS & SURETY BDS	5,400	5,914	7,149	0	0	7,149
5204630 ROOM &/OR BOARD	0	0	0	0	0	0
5204960 OTHER CONTRACTUAL SERVICE	39,058	315	1,400	0	0	1,400
	270,108	170,089	173,349	0	12,902	186,251

Narrative Justification

This program object primarily provides space rental, computer services, training and telephone services. These areas account for 80 percent of the FY 2017 budget request in this program object.

Decrease in Computer Services-State based on FY15 costs.

Increase in Software Maintenance for the electronic workpaper software implemented in FY15. This will be an ongoing annual expenditure.

Budget Request Narrative

Fiscal Year: 2017
Center: 2880 Auditor General

Department: LEGISLATURE
Object: 5205 SUPPLIES & MATERIALS

Subobject	Actuals 2014	Actuals 2015	Current OPB	Inflation	Exp/Red	Request Amount
5205020 OFFICE SUPPLIES	8,051	11,977	8,100	0	0	8,100
5205040 EDUC & INSTRUC SUPPLIES	2,673	2,194	4,000	0	0	4,000
5205060 MAINT & JANITORIAL SUPPL	107	494	300	0	0	300
5205100 PLUMBING SUPPLIES	0	0	0	0	0	0
5205310 PRINTING-STATE	3,639	5,853	3,000	0	0	3,000
5205330 SUPP PUBLIC & REF MATERIAL	1,693	1,776	2,000	0	0	2,000
5205340 MICROFILM SUPP & MATERIAL	0	0	100	0	0	100
5205350 POSTAGE	4,899	3,439	4,000	0	0	4,000
5205450 VEHICLE MAINT. & REPAIR	4	0	0	0	0	0
5205510 HEATING & COOKING FUELS	949	762	1,000	0	0	1,000
	22,015	26,495	22,500	0	0	22,500

Narrative Justification

This program object provides for office supplies and materials necessary to conduct audits, educational and instructional supplies to maintain the professional proficiency of the audit staff, supplements to South Dakota Codified Laws and postage. It also provides for office supplies and materials necessary to generate audit reports, state and commercial printing costs, and financial statement forms.

Budget Request Narrative

Fiscal Year: 2017
Center: 2880 Auditor General

Department: LEGISLATURE
Object: 5207 CAPITAL OUTLAY

Subobject	Actuals	Actuals	Current	Inflation	Exp/Red	Request Amount
	2014	2015	OPB			
5207450 OFFICE FURN & FIXTURES	3,211	3,210	1,000	0	0	1,000
5207490 TELEPHONE EQUIPMENT	413	255	0	0	0	0
5207900 COMPUTER HARDWARE	17,985	50,863	642	0	0	642
5207960 COMPUTER SOFTWARE	5,567	7,377	0	0	0	0
	<hr/> 27,176	<hr/> 61,705	<hr/> 1,642	<hr/> 0	<hr/> 0	<hr/> 1,642

Narrative Justification

Office furniture and Fixtures:

Funds are budgeted to replace furniture as needed. Most office furniture is over 30 years old.

Computer Hardware:

Funds are budgeted to replace portable ink-jet printers that break-down.