

MINUTES

Government Operations & Audit Committee

Representative Jean Hunhoff, Chair
Senator Deb Peters, Vice Chair



**Third Meeting, 2018 Interim
Tuesday, July 24, 2018**

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

The third meeting of the 2018 Interim Government Operations and Audit Committee (Committee) was called to order by Chair Hunhoff at 8:31 a.m., July 24, 2018, in room 362, State Capitol Building, Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Representatives Wismer, Steinhauer, Bartels, Anderson, and Hunhoff. Senators Sutton and Peters joined by conference call. Senators Tapio and Cronin joined after roll was called.

Staff members present were Martin Guindon, Auditor General, and Tim Flannery, State Government Audit Manager 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 Steinhauer moved, seconded by Representative Bartels, the minutes of the June 11, 2018 meeting be approved ([Minutes 6-11-18](#)). Motion prevailed unanimously on a roll call vote.

Item 1 – Bureau of Administration to discuss:

- **Performance management indicators (SDCL 2-6-35)**
- **State office space management procedures**
- [Letter to Bureau of Administration Doc.2](#)

Scott Bollinger, Commissioner of the Bureau of Administration (BOA), was present to address the Committee. He advised that the BOA was participating in the Lean process and would be fine tuning their performance indicators during a boot camp in August. The Committee provided several suggestions for items to include in the performance management indicators report. Representative Hunhoff asked Mr. Bollinger to compile a report and it bring back to the Committee in September or October.

Mr. Bollinger discussed the State office space management procedures. He advised that the BOA does not buy properties but helps State agencies meet their space management needs by leasing space. They use a public listserv to find space and help with rate negotiations with landlords. The BOA has a policy for office space requirements.

Representative Wismer voiced her concerns about Social Services moving from a building downtown in Aberdeen to a new building east of Aberdeen. Mr. Bollinger explained that the agencies advise BOA of their clientele that need to be served, the accessibility needs, parking and access to public transit.

Representative Wismer asked for a list of new construction spaces built for State offices over the last 10 years. Mr. Bollinger described how decisions are made to get the best possible outcomes. They try to hold to office standards and don't allow agencies to have 4 or 5 extra offices for room to grow. The average length of a lease is 10 years.

Item 2 – Department of Public Safety to discuss performance management indicators (SDCL 2-6-35)

- [Letter to Department of Public Safety Doc.3](#)
- [DPS Performance Indicators Doc.3a](#)

Trevor Jones, Secretary of the Department of Public Safety (DPS), was present to address the Committee. Mr. Jones reviewed the [DPS Performance Indicators](#) and advised that DPS includes 12 agencies. He discussed how the various agencies assisted in their mission and provided data and examples for each agency. Representative Hunhoff suggested adding goals to their objectives and made suggestions to make the data measurable and show performance.

Item 3 – Department of Tribal Relations to discuss performance management indicators (SDCL 2-6-35)

- [Letter to Department of Tribal Relations Doc.4](#)

Steve Emery, Secretary of the Department of Tribal Relations (Department), was present to address the Committee. He provided a brief overview of the mission of the Department, guiding principles and the work performed to achieve the goals. They have established four performance goals to work toward for the upcoming year ([Tribal Relations Metrics](#)). Mr. Emery explained that the Department functions similarly to State bureaus by serving other State agencies and it is hard to measure or quantify their work. They also act as an intermediary between the State and Tribal governments.

Senator Tapio asked Mr. Emery what he thought were the three most pressing issues facing Tribes today. Mr. Emery advised education, healthcare and public safety. Mr. Emery is on the Suicide Taskforce and advised that there are Tribal specific toolkits available through the Department of Social Services. The Committee provided suggestions to come up with specific indicators.

Item 4 – South Dakota High School Activities Association to present their annual report (SDCL 13-36-4)

- [Letter to SDHSAA Doc.5](#)
- [SDHSAA 2017 Annual Report Doc.5a](#)

Dan Swartos, Executive Director of the South Dakota High School Activities Association (SDHSAA), was present to address the Committee. He advised that the Board of Directors was made up of nine members, and they have 180 member schools.

Isaac Jahn, Finance Director with SDHSAA, was present to address the Committee. He reviewed the [SDHSAA 2017 Audit Report](#) performed by the Department of Legislative Audit (DLA). He defined the terms deficiency, material weakness and significant deficiency. The SDHSAA had two current audit findings and no prior year findings. The first audit finding was a material weakness due to financial statement reporting errors. The second audit finding was a significant deficiency in internal controls over accounts receivable. The SDHSAA failed to identify and report a payment that was due from South Dakota Public Broadcasting. In DLA's opinion, the financial statements were presented fairly.

Mr. Jahn reviewed the Statement of Net Position, pointing out that the amount in the asset account named Beneficial Interest in Assets Held by the South Dakota Community Foundation will not be on next year's statement as this amount, as of July 1, 2017, has legally become the beneficial interest of the South Dakota High School Activities Association Foundation, a separate 501(c)(3) organization. Mr. Jahn then discussed the Statement of Revenues, Expenses and Changes in Fund Net Position. He stated that 70% of their revenue is based on income from activities.

Representative Anderson asked if the new 501(c)(3) would be audited by DLA and would be required to report to the Committee. Mr. Jahn advised that the SDHSAA determined that it was not a component unit, so it would not be reported by the SDHSAA. Dr. Swartos stated that he strongly advised the board to obtain an audit and feels that they will. He advised that only donations are being put in this fund and it does not include State funds or revenue from activities. Senator Cronin asked about the borrowing from investments. Mr. Jahn explained why they do it and stated that it is their normal practice. He also discussed their investment policy and the reasoning behind it. Representative Bartels asked about the General & Administration expenses and Dr. Swartos explained what was included in that expense.

Mr. Jahn reviewed the Statement of Cash Flows and the Notes to Financial Statements. He discussed the corrective action plans for the findings. Mr. Jahn advised that the audit had been presented to their Board of Directors at their annual meeting and they present their information to the member schools annually.

Item 5 – Board of Regents to discuss:

- Performance management indicators (SDCL 2-6-35)
- University Centers financial reports (SDCL 13-51-1.4)
- [Letter to Board of Regents Doc.6](#)
- [BOR Strategic Plan Doc.6b](#)
- [BHSU Center Financial Report Doc.6d](#)
- [BOR Financial Metrics Doc.6a](#)
- [CUC Financial Report Doc.6c](#)
- [UC Sioux Falls Financial Report Doc.6e](#)

Monte Kramer, System Vice President of Finance and Administration with the South Dakota Board of Regents (SDBOR), was present to address the Committee. He reviewed the [BOR Financial Metrics](#) and discussed their goals. Mr. Kramer discussed tuition rates, enrollment budgets and funding options.

Paul Turman, System Vice President for Academic Affairs with SDBOR, was present to address the Committee. He discussed the [BOR Strategic Plan](#) and advised that it had been adopted in 2014. He reviewed the SDBOR's four goals and advised that the metrics are reviewed annually by SDBOR.

Mr. Kramer reviewed the year end operating statement for the Capital University Center (CUC) ([CUC Financial Report](#)). He advised that it looks a lot different than last year's report because South Dakota State University (SDSU) no longer operates CUC. The CUC Foundation has taken over the full operation of the facility and SDSU continues to be an administrating partner. They will continue to rent space.

Mr. Kramer reviewed the operating statement for the Black Hills State University Center (BHSU-RC) ([BHSU Center Financial Report](#)). Gene Bilodeau, Executive Director for BHSU-RC, was present to address the Committee. He discussed what they are doing to address the decreasing enrollment numbers. He explained that they are a commuter campus and all students are from the Rapid City area. They are looking to fill the gap of not having a community college.

Mr. Kramer provided the operating statement for the University Center – Sioux Falls (UC-SF) ([UC Sioux Falls Financial Report](#)). Michael Card, Interim Executive Director for UC-SF, was present to address the Committee. The operating agreement is something SDBOR will be reviewing. Dr. Card discussed the demographic of the current students and their response to the changes.

Item 6 – Department of Corrections to discuss:

- **Juvenile Corrections Reports (SDCL 26-11A-27)**
- **DOC performance indicators (SDCL 2-6-35)**
- [Letter to Department of Corrections Doc.7](#)
- [DOC Performance Indicators Doc.7a](#)

Kristi Bunkers, Director of Juvenile Services for the Department of Corrections (DOC), was present to address the Committee. She reviewed the two semi-annual reports of abuse and neglect in contracted facilities. The reports covered the dates of 07/01/17 – 12/31/17 and 01/01/18 – 06/30/18. The Department of Social Services (DSS) reviews every reported incident that occurs at any in-state private facility. The report only includes youth that are in DOC custody.

The first report included three incidents at in-state providers and fell under the child abuse and neglect category. Ms. Bunkers advised that there has been a significant reduction of incidents reported since they started the reporting requirement. She summarized each of the three reports. The Committee asked to have the report date, investigation date and resolution date included in future reports. The second report had four incidents where three fell under the child abuse and neglect category and one under the injury from restraints category. Ms. Bunkers summarized the four reports.

Laurie Feiler, Deputy Secretary of the DOC, was present to address the Committee. She provided overview information and advised that they have a lot of data, performance measures and performance indicators. Ms. Feiler discussed their mission, vision and values and reviewed the adult performance measures on the [DOC Performance Indicators](#) document. She advised that they struggle with getting good comparison data.

The Committee asked about rehabilitation and what was needed to help lower repeat offenders. Dennis Kaemingk, Secretary of the DOC, discussed incarceration of nonviolent or low risk offenders. Senator Cronin asked if the newly developed specialty courts are helping. Mr. Kaemingk advised that they have been very helpful, but the availability of drugs continue to be a problem.

Ms. Feiler then discussed the parole performance measures and their goals. The Committee provided suggested revisions for the performance measures reported. Ms. Bunkers then reviewed the juvenile performance measures, goals and targets. The Committee offered suggestions for the measures and then asked to have the updated reports sent to the Committee.

Item 7 – Auditor General to report on compiled authorizations to derive a direct benefit from a contract (SDCL 3-23-3)

- [Auditor General FY18 Report Doc.8](#)

The Committee asked Martin Guindon, Auditor General with the Department of Legislative Audit, to present at the next Committee meeting.

Item 8 – Bureau of Human Resources to report on compiled authorizations to derive a direct benefit from a contract (SDCL 5-18A-17.2)

- [Letter to Bureau of Human Resources Doc.9](#)
- [BHR FY2018 Report Doc.9a](#)

The Committee asked the Bureau of Human Resources to present at the next Committee meeting.

Item 9 – Committee discussion of midterm grant outcomes – are grant goals being met

The Committee will hold this discussion at the next meeting.

Item 10 – Public Testimony

There was no one present for public testimony.

Item 11 – Future meeting topics

The next meeting is scheduled for August 28, 2018.

The following meeting is tentatively scheduled for September 25, 2018.

A motion was made by Representative Bartels to adjourn, seconded by Senator Cronin. The motion passed unanimously on a voice vote.

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