

# MINUTES

## Government Operations & Audit Committee

Senator Ryan Maher, Chair

Representative Sue Peterson, Vice Chair



**Second Meeting, 2019 Interim  
Thursday, May 23, 2019**

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

The second meeting of the 2019 Interim Government Operations and Audit Committee (Committee) was called to order by Chair Maher at 8:09 a.m., May 23, 2019, in room 362, State Capitol Building, Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Representatives Bordeaux, Karr, Haugaard, Peterson and Senators Wismer, Wiik, and Maher. Senators Rusch and Cronin joined by conference call. Representative Latterell 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 Wiik moved, seconded by Representative Peterson, the minutes of the April 24, 2019 meeting be approved ([Minutes 4-24-19](#)). Motion prevailed unanimously on a voice vote.

#### Item 1 – Department of Revenue to discuss the corrective action plan for FY18 Single Audit findings

- [Letter to Revenue Doc.2](#)
- [FY18 Revenue audit findings Doc.2a](#)
- [FY18 Revenue corrective action plan Doc.2b](#)

Jim Terwilliger, Secretary of the Department of Revenue (DOR), was present to address the Committee. He advised that all three audit findings had to do with inadequate controls over reconciliations. The first audit finding had to do with their business tax system (CEDAR). One key staff member left DOR and discrepancies were found that weren't addressed right away. Mr. Terwilliger advised that they requested an additional full-time equivalent (FTE) employee in the accounting area and have spread work out and added backups. The second finding had to do with the Motor Fuel tax reconciliations. A refund of about \$4,000 was found that wasn't processed. He advised that they think they have addressed the issues by spreading the reconciliations over several positions and by having backups. The third finding dealt with motor vehicle titles and registrations on the SDCARS system. They have identified the gaps and have documented the reconciliation process better, as well as spread out the duties and added backups.

Senator Wismer asked if they do internal audits or if they plan to have an internal auditor. Mr. Terwilliger advised that they do not have a dedicated internal auditor, but they have identified employees to do additional testing. They will continue to review this as they go forward. Senator

Wisner asked about the current audit. Tim Flannery, State Government Audit Manager for the Department of Legislative Audit (DLA), advised that they will focus on risk. He advised that the current audit is going well, and they will follow up on the three prior findings.

**Item 2 – Department of Social Services to:**

- **Discuss the corrective action plan for the FY18 Single Audit finding**
- **Provide an update on the Medicaid Management Information System**
- [Letter to Social Services Doc.3](#)
- [FY18 Social Services audit finding Doc.3a](#)
- [FY18 Social Services corrective action plan Doc.3b](#)
- [DSS corrective action handout Doc.3c](#)
- [DSS MMIS handout Doc.3d](#)

Laurie Mikkonen, the Chief Financial Officer for the Department of Social Services (DSS), was present to address the Committee. She advised the audit finding was inadequate controls over the calculation of Diagnosis Related Group (DRG) reimbursement rates. The DRG rates are used to reimburse most hospitals for inpatient services. This resulted in an overpayment to providers of \$6.7 million, of which \$4.1 million was federal funds.

Ms. Mikkonen discussed their corrective actions plan and advised they have implemented enhanced procedures and controls related to the calculation and implementation by the agreed upon deadline of April 1, 2019. They also retained a third-party expert in March 2019 to make recommendations on the process. They had already incorporated some of the recommendations made by the expert. Per the expert's recommendation, they plan to move the implementation date of the annual DRG weight update to January 1<sup>st</sup>, rather than in October. This will give DSS more time to do a secondary review and perform additional testing. They also plan to perform year-over-year comparisons of DRGs and claims for reasonableness.

Ms. Mikkonen advised that DSS began collecting provider overpayments in January 2019 and have collected \$6 million through May 15, 2019. DSS anticipates completing 100% of all recoveries by June 30, 2019. The federal share of the recoveries is to be returned to the Centers for Medicare and Medicaid Services (CMS). CMS has reviewed the audit finding and corrective action plan and concurs with the findings and recommendations. Once all collections have been completed and reported to CMS, DSS anticipates the finding will be resolved.

Representative Latterell asked if any employees voiced any concerns about the risk of miscalculation before the audit finding. Ms. Mikkonen advised that there was nothing specific, but management knew the tight timeframe involved increased risk. Senator Maher asked if the expert was contracted or a State employee. Bill Snyder, Director of the Division of Medical Services with DSS, advised that he was contracted for \$13,000. Representative Peterson asked what the plan was if they didn't collect all of the funds. Ms. Mikkonen advised that if providers do not send payments, there are options to withhold future payments. Representative Karr asked for additional information regarding the process for testing claims each year. Mr. Snyder advised this is a new process and they are testing weekly. This could prevent a recurrence in the future. He advised that claims are received daily and are paid on a weekly basis.

Brenda Tidball-Zeltinger, Deputy Secretary of DSS, was present to address the Committee. She provided background information on the Medicaid Management Information System (MMIS), which is used to process all healthcare claims in the Medicaid program. The mainframe legacy system is being modernized in phases and includes several modules. DSS is taking advantage of new approaches that leverage other state tools and technology and the use of third party or private partnerships to address modernization needs. Mr. Snyder provided modernization information on each module.

Representative Peterson asked for more information about a prior upgrade failure and how it can be avoided going forward. Ms. Tidball-Zeltinger provided the information and advised they are phasing the implementation by modules and looking at other approaches. Representative Peterson asked if the new systems will eliminate manual entries. Ms. Tidball-Zeltinger advised that it will eliminate manual entry for DSS, as well as enhance provider interaction regarding the status of claims.

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

- [Letter to Tourism Doc.4](#)
- [Tourism Strategic Plan Doc.4a](#)
- [Tourism Strategic Anchors Doc.4b](#)

Wanda Goodman, Deputy Secretary for the Department of Tourism (Tourism), was present to address the Committee. She advised that Tourism’s strategic anchors were developed through a strategic planning process completed about three years ago. Ms. Goodman provided Tourism’s vision, mission, culture, values and five strategic areas of focus.

Tourism’s performance management indicators are made up of six goals: Increase year-over-year tourism-related economic impact by 2%, increase year-over-year tourism related jobs by 1%, increase year-over-year visitation by 1.5%, increase year-over-year visitor spending by 2%, increase year-over-year state and local tax revenue by 2% and increase year-over-year tourism promotion tax revenue by 2%. Ms. Goodman provided 2018 results of these goals, as well as graphs with historical and forecasted data. She also advised that Tourism tracks several additional measures, including visitor perceptions. Tourism’s Indicator Dashboard is updated monthly and published on their industry website at <https://sdvisit.com/research-reports>.

Representative Bordeaux asked how Tourism is helping Tribes. Ms. Goodman advised that during their strategic planning process, they identified tribal tourism as a niche area requiring additional focus. Ms. Goodman described the various ways they are currently working on tribal tourism. They have created a new team to reach out to various groups, businesses and organizations to build new relationships. Representative Bordeaux moved, seconded by Representative Peterson, to add a metric involving travel on the Reservations. Motion prevailed unanimously on a roll call vote.

Representative Karr asked if they received qualitative feedback and what the process was. Ms. Goodman described outreach efforts, stakeholder meetings and periodic intercept surveys. Representative Karr asked if comments received by Tourism could be included with their performance indicators.

**Item 4 – Department of Education to discuss performance management indicators (SDCL 2-6-35)**

- [Letter to Education Doc.5](#)
- [Education performance indicators Doc.5a](#)

Dr. Ben Jones, Secretary of the Department of Education (DOE), was present to address the Committee. He provided information on the current education environment. Dr. Jones provided DOE's four main goals: students enter 4<sup>th</sup> grade proficient in reading, students enter 9<sup>th</sup> grade proficient in math, increase the academic success of Native American students and students graduating from high school ready for postsecondary education or the workforce. These key goals have been measured since the 2014-2015 school year. Dr. Jones described the ways they measure progress: attendance, 3<sup>rd</sup> grade reading, 8<sup>th</sup> grade math, english language arts growth, math growth, graduation rate, college readiness – english, college readiness – math and workforce readiness. Various Committee members asked questions and provided feedback on the performance indicators and how they are tracked.

Dr. Jones discussed the department's budget breakdown and the dollar amounts. He talked about implementing new framework, which started by doing a data dig to find gaps and bright spots in State performance. They also want to determine and set department values, a vision and mission. Dr. Jones advised they plan to craft a department strategy for the next five years, define performance measures of that strategy and provided draft goals.

The Committee reviewed the [2018 Performance Management Report](#). They asked several questions and offered several suggestions. Representative Haugaard moved, seconded by Senator Wiik, that DOE address the benefits of federal dollars received at the State and local level in a performance metric. Motion prevailed unanimously on a roll call vote. The Committee will invite DOE back at the end of the summer to present updated performance metrics.

**Item 5 – Department of Agriculture to discuss the pesticide regulatory program**

- [Letter to Agriculture Doc. 6](#)
- [Agriculture pesticide handout Doc.6a](#)

Taya Runyan, Agricultural Services Director with the South Dakota Department of Agriculture (SDDA), was present to address the Committee. She provided general information about the pesticide regulatory program and the enforcement practices, as well as the actions and initiatives the department has taken in the last two years. SDDA works with the Environmental Protection Agency (EPA) to be the primary enforcement agency for both State and federal pesticide and application laws through a cooperative agreement. There are four main components to the pesticide regulatory program: product registration, applicator licensing, inspections and investigations.

Ms. Runyan explained that SDDA has been proactive the last two years, after seeing a dramatic increase of drift cases in 2017. Drift cases declined in 2018 and they anticipate a further decrease. Ms. Runyan shared specific actions the SDDA took during 2018 and 2019. Senator Cronin asked where the concentration of dicamba complaints were located. Tom Gere, Agricultural Services Assistant Director with SDDA, advised the majority of the complaints were from the eastern side of the State.

Representative Latterell asked about SDDA's position on the dicamba legislation brought forward. Ms. Runyan advised that SDDA opposed the bill. Mr. Gere answered several questions about why they opposed portions of the bill. Senator Cronin asked if the June 30<sup>th</sup> cutoff date for dicamba use could be moved back due to the current field conditions. Ms. Runyan and Mr. Gere explained the special local

needs label process and advised they were not aware of a waiver program. Representative Haugaard urged SDDA to be proactive regarding Bayer Monsanto Roundup.

Glenn Pulse, co-owner of PrairieSun Organics, was present for public testimony before the Committee. He voiced several complaints and concerns regarding SDDA. He asked for additional information on several issues. He also suggested that SDDA actively enforce in the field during key application times, which should significantly decrease the number of cases.

The next Committee meeting is schedule for June 11, 2019 in Pierre.

A motion was made by Representative Peterson to adjourn, seconded by Representative Karr. The motion passed on a voice vote.

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