

# MINUTES

## Government Operations & Audit Committee

Senator Ryan Maher, Chair  
Representative Sue Peterson, Vice Chair



Fifth Meeting, 2019 Interim  
Thursday, August 22, 2019

Room 414 – State Capitol, Pierre, SD and DDN  
Room FADM-145 Community College for Sioux Falls

The fifth meeting of the 2019 Interim Government Operations and Audit Committee (Committee) was called to order by Chair Maher at 8:05 a.m., August 22, 2019, in room 414, State Capitol Building, Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Representatives Bordeaux, Latterell, Haugaard, Peterson and Senators Wiik, Rusch and Maher. Representative Karr and Senator Wismer joined after roll was called. Senator Cronin was excused.

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

Senator Wiik moved, seconded by Representative Haugaard, the minutes of the July 18, 2019 meeting be approved ([Minutes 7/18/19](#)). Motion prevailed unanimously on a roll call vote.

### Item 1 – Bureau of Administration to present the annual report of the Obligation Recovery Center (SDCL 1-55-16)

- [Letter to Bureau of Administration Doc.2](#)
- [Obligation Recovery Center 2019 Report Doc.2a](#)

Scott Bollinger, Commissioner of the Bureau of Administration (BOA), was present to address the Committee. He provided historical background on the Obligation Recovery Center (Center) and highlighted significant events from FY19. The Center collected over \$3.4 million for agencies during FY19 and have over \$10 million in payment plans.

Mr. Bollinger provided data on the collection activities conducted by the Center for FY19, as well as a three-year comparison of collection activities, and six years of monthly collections broken out by State agency. The three largest collectors for FY19 were the Unified Judicial System, Board of Regents and the Department of Revenue. Mr. Bollinger compared the annual report data over three years and provided breakdowns of the total inventory of accounts.

Representative Latterell asked about the complaints the BOA receives regarding the Center. Mr. Bollinger advised that they only receive a couple a month, with the majority of calls asking if it is a legitimate business or advising that they don't have the money to pay.

**Item 2 – Board of Regents to:**

- **Present financial reports of the University Centers (SDCL 13-51-1.4)**
- **Discuss compliance with SDCL 13-51-1.3**
- [Letter to Regents Doc.3](#)
- [CCSF Report Doc.3b](#)
- [Memo from Board of Regents Doc.3a](#)
- [BHSU-RC Report Doc.3c](#)

Dr. Paul Beran, Executive Director of the South Dakota Board of Regents (SDBOR), was present to address the Committee. He advised that the SDBOR is in compliance with all parts of South Dakota Codified Law (SDCL) 13-51-1.3. He read the definition of self-support as it applies to the University Centers.

Sheila Gestring, President at the University of South Dakota (USD), was present to address the Committee. She presented the [FY19 financial reports](#) for the Community College for Sioux Falls (CCSF), advising that 1,397 students were served during that time. She reviewed the revenues and expenses and explained that the seven-year cumulative net revenue was positive.

Barry Dunn, President of South Dakota State University (SDSU), was present to address the Committee. He advised that SDSU has covered the negative net revenue for several years with surplus from other self-support courses they offer online. They are not using on-campus tuition or State general funds. Representative Karr asked what SDSU was going to change to get back to earning a positive net revenue. Mr. Dunn advised the new operating agreement for the CCSF has drastic changes to distribution of operating costs and teaching responsibilities, making it a more efficient model.

Dr. José-Marie Griffiths, President of Dakota State University (DSU), was present to address the Committee. She advised that DSU's revenues have decreased dramatically since FY13 and attributes some of that to the fact that all of their courses offered through CCSF are also offered online. She feels they will start to see their numbers turn around as they focus on different types of students.

Kathy Johnson, Vice President of Finance and Administration at Black Hills State University (BHSU), was present to address the Committee. She presented the [Black Hills State University – Rapid City](#) (BHSU-RC) FY19 financial reports. She advised that the bulk of credit hours offered at BHSU-RC are offered by BHSU. They served 1,270 students in Rapid City during FY19 and had a total net revenue of nearly \$1 million. BHSU-RC has a history of being self-supported and they expect that to continue.

**Item 3 – South Dakota High School Activities Association to present their annual report (SDCL 13-36-4)**

- [Letter to High School Activities Association Doc.4](#)
- [Annual Report of SDHSAA Doc.4a](#)

Dr. Dan Swartos, Executive Director of the South Dakota High School Activities Association (SDHSAA), was present to address the Committee. He provided background information on the SDHSAA, advising they were the sanctioning body for sports in South Dakota with 179 member schools.

Isaac Jahn, Finance Director with SDHSAA, was present to address the Committee. He reviewed the [FY18 SDHSAA Audit Report](#). There were two prior year audit findings that have both been resolved. The current year audit finding was a material weakness in financial statement reporting errors, due to the classification of a South Dakota Community Foundation transaction as a special item. Mr. Jahn discussed

the changes in the assets and liabilities, explaining that they no longer transfer money back and forth between the cash account and investments.

Dr. Swartos provided additional information about where to find SDHSAA's financial information on their website ([Financials](#)). He advised the State event financials are broken out by sport, then year. Their audit reports are also found here.

**Item 4 – Department of Education to:**

- **Discuss Subrecipient monitoring procedures**
- **Provide an update on the progress of the Project Aware Grant**
- **Provide the annual report of the Workforce Education Fund (Building South Dakota Program)**
- [Letter to Education Doc.5](#)
- [DOE Presentation Doc.5a](#)
- [DOE Subrecipient Monitoring Policies Doc.5b](#)
- [WEF Report Doc.5c](#)

Dr. Ben Jones, Secretary of the South Dakota Department of Education (SD DOE), was present to address the Committee. Matt Flett, Director of the Division of Finance and Management with SD DOE, was present to address the Committee. He provided documentation on DOE's [Fiscal Monitoring Policy](#). He advised that the majority of federal grants awarded through the United States Department of Education (USDOE) are entitlement grants, meaning the DOE is required to grant them to local education agencies (LEAs). Mr. Flett advised that LEA's are school districts and educational cooperatives.

Mr. Flett discussed the fiscal monitoring of entitlement grants, fiscal monitoring of the 21<sup>st</sup> Century Community Learning Center (CCLC) grant and DOE's role in the single audits for their subrecipients. He provided information on the application review process, risk analysis and fiscal desk reviews for the entitlement grants. The 21<sup>st</sup> CCLC grant can be awarded to nonprofits, tribal schools and tribal governments. He advised that they perform a pre award risk assessment for first time recipients and work with them a lot up front. He discussed the ongoing risk assessments, monitoring activities and technical assistance provided. Mr. Flett discussed the subrecipient single audit requirements, including subrecipient responsibilities, fiscal reviews, monitoring of single audits and enforcement actions.

Mr. Flett provided a letter issued by the USDOE in April 2019. In their letter to all State Educational Agencies, they used some of SD DOE's templates in their technical assistance bulletin.

Representative Bordeaux asked how red flags are going to be detected. Mr. Flett advised they are using the State Board of Internal Controls risk assessment, they currently have in-house administration of grants and have more oversight at the Department. Tim Flannery, Audit Manager with DLA, advised that legislation passed regarding internal controls and they are utilizing a more proactive approach.

Jacquie Larson, Director of the Division of Accreditation, Certification and Data Management for the SD DOE, was present to address the Committee. She provided background information about Project AWARE and presented their goals. The grant is in cooperation with the Department of Social Services Behavior Health Division. This is a pilot project and they were required to connect with three local educational agencies (LEA's). They were approved to add a fourth LEA. They were also required to connect with Community Mental Health Centers (CMHC's) for each location.

Ms. Larson explained that the main foundation for the grant is based on a tiered system. She explained the tiers and the timeframes expected for each tier. She advised that they have been going for about six months and discussed Project AWARE timeline. They are required to report annually. Teachers were trained this summer in the positive behavior intervention and supports framework. She reviewed the six federally required performance indicators collected. They currently have six months of data.

Laura Scheibe, Director of the Division of Career and Technical Education with SD DOE, was present to address the Committee. She provided information on the Workforce Education Fund (WEF). To date, they have awarded approximately \$4.5 million. She reviewed the project criteria required and provided several project highlights funded through the WEF.

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

- [Letter to Bureau of Human Resources Doc.6](#)
- [BHR Compiled Authorizations FY2019 Doc.6a](#)

Tom Steckel, Interim Commissioner of the Bureau of Human Resources (BHR), was present to address the Committee. He presented the [BHR Compiled Authorizations](#) for FY2019. He provided legislative history on the waiver process. There were seven waivers approved by BHR during FY19 and the documentation was included in the report.

**Item 6 – The Governor’s Office of Economic Development to:**

- **Present the annual reports of the Building South Dakota programs (SDCL 1-16G-49)**
- **Present revised performance management indicators including a metric for economic development outcomes on the reservations**
- [Letter to Governor's Office of Economic Development Doc.7](#)
- [GOED Building SD Programs Doc.7a](#)
- [GOED Performance Measures Doc.7b](#)

Cassie Stoeser, Finance Director at the Governor’s Office of Economic Development (GOED), was present to address the Committee. She reviewed the [Building South Dakota Fund annual report](#), providing background information on the Building South Dakota Fund and advising that it funded four programs in their office. Ms. Stoeser provided information on each program, accounting breakouts, performance measures and budget drivers for each program for FY19.

Joe Fiala, Community Development Director for GOED, was present to address the Committee. He expanded on the performance measures already discussed per the Committee’s request. He provided [performance metrics for FY19](#) and discussed their goals. Senator Wiik moved, seconded by Representative Bordeaux, to accept the GOED performance metrics. Motion prevailed unanimously on a roll call vote.

**Item 7 – Future meeting date**

The next Committee meeting date will be September 18, 2019.

A motion was made by Senator Wiik to adjourn, seconded by Representative Latterell. The motion passed on a voice vote.

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