

GOVERNMENT OPERATIONS AND AUDIT COMMITTEE

Study Assignment

The Government Operations and Audit Committee was established by South Dakota Codified Laws (SDCL) 2-6-2. The Committee is appointed at each regular session of the Legislature. The Committee consists of ten members, five members from the Senate appointed by the President Pro Tempore of the Senate, one of whom shall be a member of the Judiciary Committee and five members from the House appointed by the Speaker of the House, one of whom shall be a member of the Judiciary Committee.

The responsibilities of the Committee are:

- To inquire and review any phase of the operations and the fiscal affairs of any department, institution, board or agency of the state as directed by the Executive Board of the Legislative Research Council;
- To review any findings of abuse or neglect in a juvenile corrections facility;
- To make a continuing study of the operation of the state's correctional system; and,
- To make a detailed report to the Senate and House of Representatives and submit a copy of its report to the Appropriations Committee of each House of the Legislature at the next succeeding session of the Legislature or any special session of the Legislature upon request of the body.

The review process of the Committee relating to the operations and fiscal affairs of state government was conducted within the limits of the following objectives:

- Evaluate the findings and recommendations contained in audit reports of state agencies concerning:
 - The manner in which administrators of the agencies and departments of the state have discharged their responsibilities to faithfully, efficiently and effectively administer the programs of the state.
 - The agency's management of its fiscal affairs and the adequacy of accounting procedures.
- Review audit reports with agency officials and financial management personnel to obtain their views on the Auditor General's audit recommendations.
- Determine the action to be taken to implement audit recommendations.
- Assess the agency's progress toward implementing audit recommendations.
- Require a department, institution, board, or agency to present a report to the Appropriations Committee, containing the reasons for not implementing audit recommendations and a corrective action plan.
- Introduce legislation.

The review process of the Committee relating to juvenile corrections and the state corrections system was conducted within the limits of the following objectives:

- Review the juvenile monitor's reports of findings of abuse or neglect in juvenile corrections facilities.

Summary of Interim

The Committee held one meeting to discuss audit reports issued. The following summarizes the actions that were taken by the Committee.

Review of Audit Reports

Financial and compliance audits involve testing financial transactions of the state to determine that all money is properly accounted for and expended in accordance with state and federal laws and regulations. All audits conducted on state agencies were consolidated and reported in the Single Audit Report. The Single Audit Report includes the Comprehensive Annual Financial Report for the State of South Dakota prepared by the Bureau of Finance and Management, a schedule showing the federal awards administered by the state and related expenditures, and audit findings and recommendations issued by the Department of Legislative Audit.

The Committee reviewed the Single Audit Report for the fiscal year ended June 30, 2001. This report was issued in accordance with Auditing Standards Generally Accepted in the United States of America, Government Auditing Standards issued by Comptroller General of the United States and South Dakota Codified Laws. A copy of this report may be obtained from the Department of Legislative Audit.

The Committee reviewed financial reporting, internal control and compliance deficiencies written on 11 state organizations, containing 23 recommendations for corrective action. Four recommendations related to violations of state laws and regulations; four recommendations related to violations of federal laws and regulations; and, fifteen recommendations related to inadequate internal control procedures over receipts, revenue collections and expenditures and financial reporting.

The following represents the state agencies with audit findings and recommendations from fiscal years 2001 and 2000 and the implementation of fiscal year 2000 audit recommendations:

| | RECOMMENDATIONS | | |
|--|-------------------------|-------------------------|---------------------------|
| | <u>Fiscal Year 2001</u> | <u>Fiscal Year 2000</u> | <u>FY2000 Implemented</u> |
| Agriculture, Department of | 0 | 1 | 1 |
| Agriculture, Department of State Fair | 1 | 1 | 0 |
| Attorney General, Office of Board of Regents | 2 | 2 | 0 |
| School for the Deaf | 6 | 0 | N/A |
| Dakota State University | 1 | 1 | 0 |
| Commerce, Department of | 1 | 0 | N/A |
| Commerce, Department of, Licensing and | | | |

| | RECOMMENDATIONS | | |
|--|---------------------------------|---------------------------------|-------------------------------|
| | <u>Fiscal Year 2001</u> | <u>Fiscal Year 2000</u> | <u>FY2000 Implemented</u> |
| Regulatory Boards & Commissions | | | |
| Electrical Commission | N/A* | 3 | N/A |
| Medical and Osteopathic Examiners | 0 | 1 | 1 |
| Board of Nursing | N/A* | 1 | N/A |
| Governor, Office of the | 2 | 1 | 0 |
| Economic Development Finance Authority | 0 | 1 | 1 |
| Education, Department of | 1 | 1 | 0 |
| Health, Department of | 2 | 1 | 0 |
| Human Services, Department of | 1 | 0 | N/A |
| Internal Service Funds | 1 | 0 | N/A |
| Revenue, Department of | 0 | 1 | 1 |
| Social Services, Department of | 5 | 6 | 5 |

N/A* These audits are on a two-year audit cycle and did not have a FY 2001 audit.

The Committee sent letters to all state agencies with audit findings and encouraged the state agencies to implement the audit recommendations. The Committee requested an update on the actions taken to implement audit recommendations from the Office of Attorney General, Department of Social Services, and Department of Human Services. The Committee continues to monitor the responses and corrective actions taken by state agencies.

Juvenile Corrections, Legislative Research Council

The annual report of the Juvenile Corrections Monitor for the period July 1, 2001, through June 30, 2002, was distributed to members of the committee. The committee delayed discussion on the annual report until its December 2002 meeting.

Listing of Legislation Adopted

None.

Summary of Meeting Date and Places and Listing of Committee Members

The committee met on August 6 in the State Capitol in Pierre.

Committee members were: Senator Marguerite Kleven, Chair; Representative Gordon Pederson, Vice Chair; Senators Eric Bogue, Don Brosz, Dennis Daugaard, and Garry Moore; and Representatives Quinten Burg, Margaret Gillespie, Claire Konold, and Hal Wick.

Staff members from Legislative Audit were Marty Guindon, Auditor General, Rich Hornak, Audit Manager, and Gary Hoscheid, Audit Manager.