



# MINUTES

## GOVERNMENT OPERATIONS AND AUDIT COMMITTEE

**Fifth Meeting  
2004 Interim**

**LCR 1  
June 22, 2004**

The fifth meeting of the Government Operations and Audit Committee was called to order by Chair Kleven at 9:00 a.m., June 22, 2004, in the Legislative Conference Room 1, State Capitol Building, Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Senators Arnold Brown, John Koskan, Marguerite Kleven and Garry Moore; and, Representatives Ted Klaudt, Rebekah Cradduck, Gerald Lange, and Margaret Gillespie.

Staff Members present were Marty Guindon, Auditor General, Rich Hornak and Gary Hoscheid, State Government Audit Managers and Robert Christianson, Auditor IV for the Department of Legislative Audit (DLA). Annie Mehlhaff, Principal Fiscal Analyst represented the Legislative Research Council.

### **Approval of Minutes**

*Representative Cradduck moved, seconded by Representative Klaudt that the minutes of the May 18<sup>th</sup> meeting be approved. Motion prevailed unanimously on a voice vote.*

### **Board of Regents – Technology Outreach Services (TOS)**

Gary Hoscheid gave an update concerning TOS. Handouts were provided by DLA. Shelly Anderson, Internal Auditor for the Board of Regents was present to answer committee questions. The committee raised additional questions regarding all funding sources to be used to fund the TOS and requested additional information as following: all funding sources to be used to fund the TOS; the dollar amount and source of “Additional Funding” reported as being received from the Governor’s Office of Economic Development (GOED) for the Small Business Innovation Research Center, including the type of funding (federal or state grant or loan), the allowable uses of the funding, and a copy of the application or plan submitted to obtain the funding; how the activities of the TOS specifically meet the mission of the University and the Legislative mission of educating students and creating and fostering economic development of the state; and, the prospective clients of the TOS and the services to be provided to the clients.

*Senator Moore moved, seconded by Representative Klaudt to direct DLA to send a letter to Dakota State University requesting a response to the above questions and provide the response to the committee as soon as possible. The letter should request the President of Dakota State University (DSU) and the acting director of TOS to attend a future committee meeting to provide an overview of the planned functions of the TOS. The letter should also indicate that the committee is supportive of research and development activities and is not necessarily in opposition to the DSU’s planned action but desires clarity on what is anticipated or planned. The committee also expects that through this process any organization created as a profit generating business would ultimately be spun off as a separate stand alone entity at some point. If the new organization is envisioned to be an incubator for research and development, the final strategic plan should clearly specify this intent. The Motion carried on a roll call vote, with 8 ayes and 2 excused. Members voting aye: Senators Brown, Koskan, Kleven and Moore and Representatives Cradduck, Klaudt, Gillespie and Lange. Excused were: Senator Duniphan and Representative Konold.*

## **Bureau of Finance and Management (BFM)**

Rich Hornak gave an overview of the response from BFM applying to cash balances in federal funds. A hand out was provided by DLA. In response to a question from Representative Klaudt regarding the committee's authority to change state policy, Reed Holwegner, Legislative Research Council indicated that the legislature's policy making authority is through legislation. Jason Dilges, Commissioner of the Bureau of Finance and Management provided the Bureau's perspective on the existence of cash balances in federal funds.

*Senator Moore moved, seconded by Representative Klaudt that the Department of Legislative Audit and Legislative Research Council draft two bills for the next legislative session. The first bill would require the Bureau of Finance and Management to provide the appropriations committee with a report showing the unreserved fund balance plus separate disclosure of fund balance designations and commitments for each indirect cost fund twice each year. The draft legislation should identify the information to be included in the report. The second bill would eliminate the use of indirect cost funds. The Motion carried on a roll call vote, with 8 ayes and 2 excused. Members voting aye: Senators Brown, Koskan, Kleven and Moore and Representatives Cradduck, Klaudt, Gillespie and Lange. Excused were: Senator Duniphan and Representative Konold.*

*Representative Cradduck moved, seconded by Senator Brown that the Department of Legislative Audit draft a letter to the Bureau of Finance and Management requesting that a report showing the unreserved fund balance plus separate disclosure of fund balance designations and commitments for each indirect cost fund be provided to the appropriations committee as of June 30 and December 31 of each year. The Motion carried on a roll call vote, with 8 ayes and 2 excused. Members voting aye: Senators Brown, Koskan, Kleven and Moore and Representatives Cradduck, Klaudt, Gillespie and Lange. Excused were: Senator Duniphan and Representative Konold.*

## **Single Audit Report Findings**

Rich Hornak gave the committee an update concerning the School and Public Lands (SPL) Finding. Handouts were provided by DLA. Bryce Healy, Commissioner, Office of School and Public Lands, was present to answer committee questions. Marty Guindon advised the committee that DLA and SPL were waiting on an Attorney General decision before resolving the finding.

## **Archeological Research Center**

Gary Hoscheid gave the committee an update regarding the Archeological Research Center. Handouts were provided by DLA. Marty Davis, Jay Vogt, and Jim Haug from the Department of Tourism and State Development and Stacy Krusemark from the Department of Education were present and provided background on the operations of the Center and answered committee questions.

## **Juvenile Corrections Monitor Update**

*Senator Kleven moved, seconded by Representative Cradduck, that the committee go into executive session to discuss personnel issues relating to Juvenile Corrections. Motion prevailed unanimously on a voice vote. The committee went into executive session at 11:50 a.m.*

*Senator Brown moved, seconded by Representative Cradduck, to come out of executive session at 12:04 p.m. Motion prevailed unanimously on a voice vote.*

Senator Kleven reported that while in executive session, the committee reviewed a juvenile corrections report and no action was taken or is necessary as a result of the executive session.

### **Public Testimony - Adult Corrections**

Ray Berry from Norris, SD testified about the problems with recidivism and a need to provide education and job training while in prison and assist with finding employment when released from prison. Other ideas and suggestions were also made regarding adult Corrections.

### **Governor's Mansion Project**

Rich Hornak provided an overview of the list of pledges made for the Governor's mansion project. As of the date of the meeting, pledges and verbal commitments totaling \$3,410,000 had been made and \$922,354 had been received in cash.

Paul Kinsman, Commissioner of the Bureau of Administration provided an update on the construction work completed and projections of other phases of the project. He stated the structure should be enclosed by Labor Day and July, 2005, is the projected for the Governor to move into the mansion.

### **Encumbrance Update**

Rich Hornak provided a status report on the fiscal year 2004 encumbrances and responded to committee questions.

### **Cost of State Radio System - Actual and Planned**

Otto Doll, Commissioner of the Bureau of Information and Telecommunications and Jeff Pierce, Engineering Manager for the state radio system, informed the committee that \$33 million has been spent to date on the state Radio System. They indicated that another \$1.7 million is planned to be spent.

### **Bureau of Information and Telecommunications - Review of Consulting Contracts**

Otto Doll provided an overview of BIT consulting contacts and office leases.

### **Department of Education**

Stacy Krusemark, Department of Education, Office of Finance and Management, provided an overview of Department of Education Consulting contracts.

The next committee meeting is scheduled for September 13 and 14, 2004 in Custer, South Dakota.

The committee adjourned the meeting at 3:45 p.m.



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