



# MINUTES

## GOVERNMENT OPERATIONS AND AUDIT COMMITTEE

**Second Meeting  
2008 Interim  
May 13 & 14, 2008**

**Room 468  
State Capitol  
Pierre, South Dakota**

The second meeting of the 2008 Interim Government Operations and Audit Committee was called to order by Chair Gant at 10:00 a.m., May 13, 2008, in room 468, State Capitol Building, Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Senators Jerry Apa, Dan Sutton, Jason Gant; and Scott Heidepriem, Representatives Michael Buckingham, Margaret Gillespie, Deb Peters, and Larry Tidemann. Senator Jean Hunhoff joined the meeting later after another Legislative committee meeting was completed, and Representative Gary Moore was excused.

Staff members present were Mr. Martin L. Guindon, Auditor General, Mr. Bob Christianson and Mr. Gary Hoscheid, State Government Audit Managers for the Department of Legislative Audit (DLA).

### **Approval of Minutes**

*Representative Tidemann moved, seconded by Senator Apa, the minutes of the January 7, 2008 meeting be approved. Motion prevailed unanimously on a voice vote.*

*Senator Apa moved, seconded by Representative Tidemann, the minutes of the April 15, 2008 conference call meeting be approved. Motion prevailed unanimously on a voice vote.*

### **Juvenile Corrections Monitor Semi-Annual Report (Document #3)**

Mr. John Ellis, Juvenile Corrections Monitor, addressed the committee regarding the Juvenile Corrections Monitor Report for the period July 1, 2007 through December 31, 2007. Mr. Ellis reported details and a summary of four active investigations that took place during the reporting period. Committee questions were addressed by Mr. Ellis.

### **Department of Corrections – Report on Abuse and Neglect in Private Placement Facilities (Document # 19 & 20)**

Mr. Doug Herrmann, Juvenile Services Director for the Department of Corrections handed out the Department of Corrections Semi Annual Report on Allegations of Abuse and Neglect in Private Placement Facilities (Document #19), which outlined details of four reports of alleged abuse and neglect involving youth in contracted facilities for the period July 1, 2007 through December 31, 2007. Two of the incidents took place at a facility near Salt Lake City, Utah, which Mr. Herrmann described as a facility specialized in severe, chronic mental health cases. Mr. Tim Reisch, Secretary for the Department of Corrections then handed out Document #20, which outlined the policies and procedures for notifying the state's attorney and Department of Social Services in cases where abuse or neglect is substantiated, and how to put those individuals into the central registry process with the Department of Social Services. The Chair requested that Representative Gillespie work with Secretary Reisch, Secretary Deb Bowman of the Department of Social Services and Secretary Jerry Hofer of the Department of Human Services

concerning the abuse and neglect central registry process and any statutory changes that may be needed to streamline the process.

### **Committee Review and Discussion of Follow-up Items**

Bureau of Personnel – Mr. Bob Christianson addressed the Committee on three year historical information on revenues and expenditures concerning the employee spending accounts (Document #1). No committee action was taken on this information.

Mr. Gary Hoscheid addressed the Committee on the response received from the South Dakota Abstractor's Board of Examiners (Document #5). After some Committee discussion concerning the Board's local checking account, the Committee requested that a letter be sent to the Board asking that their financial information be uploaded to the State's accounting system in a timely manner. The Committee further suggested that the State Treasurer and State Auditor attend a future meeting to explain their policies and procedures concerning the approval process for local checking accounts.

### **Audit Comments**

Mr. Bob Christianson and Mr. Gary Hoscheid reviewed the audit comments that have been issued for School and Public Lands, the Department of Social Services, and the Department of Education (Document #4). The Committee requested that a letter be sent requesting more information from the Department of Social Services on the policies and procedure for determining uncollectible/unrecoverable third party liability claims and background information on the Department's current system for third party liabilities/receivables. The Committee was informed that the Department of Agriculture had not responded to the audit comments and therefore the audit comments will be released at a future date.

### **Potential Agenda Items for Future Consideration**

The Committee held a discussion on potential topics for the interim.

Reciprocity for Boards and Commissions Licensure – The Committee desired information on the reciprocity arrangements utilized by the various boards and commissions for individuals from out-of-state seeking licensure. Mr. Hoscheid was directed to draft a letter to each board or commission requesting each board or commission's respective reciprocity process and requirements.

Visit Springfield – The Committee decided to tour the Springfield Correctional Facility on June 24, 2008. Issues and concerns that will be discussed with the Department of Correction officials, employees and inmates include: Governor's House program; wages paid for prison labor; health services utilization and costs; transportation costs; historical price increases on commissary items, staffing ratio history; organizational structure including an organization chart; and meeting and discussing issues with management and staff.

Future of the State Library – The Committee requested an update on the status of the State Library renovation including what work is finished and the work remaining along with the ultimate utilization plans for the building and the future function of the State Library.

Bonding Covenants – Mr. Christianson informed the Committee that the bond money was in accounts found in the Blue Book. Representative Tidemann informed the Committee that a financial report is provided to the Executive Board of the Legislative Research Council for each entity with bonding authority. The Committee decided that no further Committee action is necessary.

The South Dakota Corn Utilization Council's Aircraft – The Committee decided to keep this as a topic for future Committee consideration and the Chair would discuss issues to be included in the letter with Mr. Hoscheid.

Policies and Procedures for Establishing Interest Rates for Various Loans Issued – The Committee directed a letter be sent to all agencies that administer loan programs requesting information on the policies and procedures established for administering the loan programs and establishing interest rates charged and setting maximum term length of the loans . This should include the applicable SDCL's and administrative rules for each loan program. Since the Railroad Authority and Department of Environment and Natural Resources had previously provided the Committee with this information, it is not necessary to send the letter to those two entities.

Catastrophic County Poor Relief – The Committee voiced concern about the impact to this fund given that Pennington County withdrew from putting monies in this fund. The Committee decided to keep this as an item for review at a future meeting date.

Status of REDI Fund loans, current vs. delinquent - Senator Heidepriem indicated that he would be involved in a summer study where he will be able to pursue more information on this subject. No further Committee action was deemed necessary.

Board of Medical and Osteopathic Examiners– Due to recent practices followed to increase certain fees, the Committee requested a letter be sent to the Board of Medical and Osteopathic Examiners for clarification on rules and statutes regarding fee increases and possible conflicts in law and administrative rules.

Boards and Commissions - The Committee discussed the two remaining boards that were excluded from the omnibus bill last session because of the complex rate structure and multiple professions regulated. The Committee decided to send a letter to the Legislative Research Council requesting draft legislation be prepared to bring consistency and uniformity to the Electrical Commission and the Board of Technical Professions.

International Business Institute at Northern State University - Committee discussion centered on desiring additional information on what this entity is and what work is being performed. The Committee was also interested in determining who Mr. Joop Bollen actually works for; reports to; and who has management oversight responsibility over this activity.

The Department of Revenue and Regulation – A recent legislative action impacted the sales tax collections from internet sales which were to be deposited into a fund and once the fund reached a certain dollar amount, retailers were to be compensated for an administrative fee for collecting the taxes. The Committee directed that a letter be sent to determine how this process is working; how the fund is growing; and whether administrative fees are being paid.

Department of Social Services - SSI program versus FSD program – The Committee discussed that some individuals are moving from SSI program where they qualify for Medicaid automatically to the FSD program where they do not qualify for Medicaid. The Committee directed that a letter be sent requesting information on the purpose of the FSD program; why people or forced to move from SSI to FSD programs; number of individuals affected by this action, and the dollar amount that would be needed to provide health care services to these individuals or what can be done to help these individuals affected.

### **Future Meeting Dates**

June 24, 2008- Tour of Springfield Correctional Facility

July 8, 2008

August 19, 2008

No meetings scheduled for September or October, 2008.

### **Committee Review and Discussion of Follow-up Items (continued)**

Quarterly Encumbrance Report – Mr. Hoscheid reviewed the report with the Committee (Document #2).

The Committee raised questions concerning the following encumbrances and requested that a letter be sent to the respective state agencies to determine the purpose and current status of the General Fund encumbrance;

1. Department of Tourism and State Development's encumbrance for Sharp Enterprises, \$37,252.50 for sidewalks at Verendrye Monument.
2. Department of Social Services encumbrances for Pauli Consulting, \$59,881.77 for Tablet PC training and why BIT was not utilized.
3. Department of Social Services encumbrances for Fourthought Group Inc for \$47,168 and another for \$320,943 for SD HIPA security rule implementation and MMIS combined project management. The Committee was concerned on how these fit into the overall new MMIS system since HIPA has been in existence for some time.
4. Department of Social Services encumbrances for Paulsen Marketing Inc for \$100,000. Why did we use them for the long-term care education program and what exactly are we getting for this money.
5. Department of Social Services encumbrances for Lutheran Social Services of South Dakota for \$263,947 for residential treatment of youth placed and Clinicare Corporation for \$274,750 also for residential treatment of youth placed. The Committee was interested in determining why it was necessary to carry over expenditure authority when the Department receives an annual appropriation to serve these children.
6. Department of Military and Veteran's Affairs encumbrance for Books Consulting for \$5,214.40 for an organizational study. The Committee is interested in whether this project has been completed or what the current status is for this item.
7. Department of Corrections encumbrance for The Right Turn for \$14,000 for education services to the state women's prison. The Committee was interested in what services were being provided.
8. Unified Judicial System for Eastern Dakota Healthcare for \$5,000 for the initial immunization program for the 2<sup>nd</sup> circuit employees. The Committee requested what type of immunization was to be provided and why just 2<sup>nd</sup> circuit employees were to receive the immunization.
9. State Treasurer's Office encumbrance for Riter, Rogers, Wittier & Brown for \$5,000 for legal service. The Committee was interested in what expertise the firm had that was needed by the State Treasurer given the number of attorneys' already in state government.
10. Department of Human Services encumbrance for Western Interstate Commission for Higher Education for \$125,000 for the development of a system of care for children and families. The Committee was interested in determining what the state is actually receiving for this money.
11. Governor's Office encumbrance for Bockorny Group for \$32,500 for consultant services relating to issues and legislation pertaining to Ag policy and the 2007 Federal Farm Bill. The Committee was interested in determining what the contract was actually for and what services were actually performed.

### **Secretary of State – Review of Company 3013**

Mr. Chris Nelson, Secretary of State addressed the Committee on Company #3013, Financing Statement Filing Fee Fund (Document #6). In response to Committee questions concerning why the ending balance of this fund was in excess of the \$25,000 required under SDCL's, Mr. Nelson did not know but indicated that he would look into this situation and provide a written response to the Committee explaining what he was able to determine.

### **Military and Veterans Affairs – Review of Companies 3021 and 5017**

Major General Steve Doohen, Secretary of Military and Veterans Affairs addressed the Committee on Company 5017, Resident Trust Fund (Document # 8 & 21) and Company 3021, State Veterans Home

Operating Fund (Document #7 & 21). Mr. Bill Regynski, Director of Finance and Management, and Mr. Andy Gerlach, Deputy Secretary for the Department of Military and Veterans Affairs were also present to address questions from the Committee. The Committee was interested in determining the process followed to determine which veterans are eligible to reside at the home; whether the eligibility is need based and/or income based; and whether veterans residing at the home are required to maintain all their cash assets in the Resident Trust Fund or whether veterans are allowed to maintain their personal cash wherever they choose. Major General Doohen informed the Committee that the Department will prepare a response to the Committee regarding these questions concerning residents of the State Veteran's Home.

#### **Legislative Research Council – Review of Company 6501**

Mr. Jim Fry, Director of the Legislative Research Council addressed the Committee on Company 6501, Postage Administration (Document #9). Mr. Fry explained the function of the fund and answered some questions from the Committee on fund balance.

Committee discussion then centered on the policy for reimbursement of per diem for legislators involved with a legislative interim meeting on the same day that Legislative session begins. The Committee requested that a letter be sent to LRC to determine the actual policy on reimbursement and an explanation and breakdown of actual reimbursement paid to the members of the Committee. The Committee is also interested in the specific courses of action available to Legislators to clarify this policy and issue.

#### **Attorney General's Office – Review of Company 3000**

Mr. Larry Long, Attorney General addressed the Committee on Company 3000, Attorney General Other Fund (Document #10). Mr. Long also provided a handout (Document #22) which further explained the purpose of this fund. Mr. Long answered several questions the Committee had regarding the fee for running background and criminal checks. The Committee directed that a letter be sent to the Attorney General requesting the number of background checks performed on behalf of local law enforcement for the past several years be provided to the Committee.

The Committee recessed at 3:45 p.m.

#### **May 14, 2008**

The meeting reconvened at 9:00 a.m.

#### **Bureau of Finance and Management – Review of Company 6010**

Mr. Jason Dilges, Commissioner for the Bureau of Finance and Management addressed the Committee on Company 6010, Budgetary Accounting Fund (Document #11). Mr. Dilges informed the Committee of the purpose of this fund and outlined some of the significant expenses to be incurred in the future out of this fund. Two specific projects involve the replacement of the budget and accounting systems that are becoming obsolete. An additional expense that will be paid from this fund is the personal services costs for five new FTE'S being brought into the office to form the centralized accounting and reporting function specializing in higher level accounting systems.

#### **Bureau of Information and Telecommunications – Review of Company 6002**

Mr. Otto Doll, Commissioner for the Bureau of Information and Telecommunications (BIT) addressed the Committee on Company 6002, Capitol Communications Systems Internal Service Fund (Document #12). Mr. Doll explained that this fund is responsible for the expenses of operating the following functions:

Internet connectivity, desktop networking support, network security, switchboard support, teleconferencing, and payroll for 80.5 FTE'S, among other miscellaneous functions. This fund has a monthly operating cost of approximately 1.6 million dollars.

### **South Dakota Building Authority – Review of Company 6013**

Mr. Don Templeton, Executive Secretary of the South Dakota Building Authority, addressed the Committee on Company 6013, Building Authority, (Documents #13 and 23). The Committee has requested that Department of Legislative Audit and South Dakota Building Authority work together to compile historical information on past bonds issued and provide that information to the Committee members.

### **Department of Labor – Review of Companies 8304 and 6503**

Ms. Pamela Roberts, Secretary for the Department of Labor, Mr. Todd Kolden, Administrator for the Department of Labor, Mr. James Marsh, Director for the Division of Labor and Management, Department of Labor, Lyle Harter, Fiscal Officer, Department of Labor, and Mark Humphreys, Executive Director of the Board of Technical Professions, Department of Labor were all present to address the Committee on Company 6503, South Dakota Board of Technical Professions (Document #14) and Company 8304, Private Workers Compensation (Document #15). Ms. Roberts and Mr. Marsh first discussed that Pope and Talbot filed Chapter 7 bankruptcy recently, and that would soon impact Company 8034. This fund will be responsible for paying workers compensation benefits to survivors who previously were getting benefits under Pope and Talbot, and any such similar situations that should arise. Mr. Marsh testified they have had only a small number of claims to this fund so far, so there is no immediate concern of depleting it.

Mr. Humphreys gave the Committee an overview of the function of Company 6503. The funds are generated through licensing and fines of Engineers, Architects, Petroleum Mediators, Land Surveyors, and Petroleum Assessors. This fund supports salaries for a staff of 3 FTE'S, costs covering investigators for disciplinary actions, and contractual costs. Mr. Humphreys testified that 12 complaints have been investigated, with 3 resulting in disciplinary action. The Committee asked why personal services increased in FY07 and Mr. Humphreys was not sure what the reason was. The Committee requested that a letter be sent requesting the reason for the personal services increase in FY 07. The Committee also requested that Mr. Humphreys work with Department of Legislative Audit to prepare proposed legislation similar to the Board of Accountancy revisions included in the boards and commission's omnibus bill passed this last legislative session. That legislation attempted to bring uniformity and consistent statutory construction to all professional and occupational boards and commissions. The Committee desired that the proposed legislative revisions be available for the Committee's August 2008 meeting.

### **South Dakota School and Public Lands – Review of Companies 5018 and 8610**

Ms. Jennifer Toscana, Deputy Commissioner for the Office of School and Public Lands was present to address the Committee on Company 5018, Permanent Fund (Document #16), and Company 8610, Common School – Interest and Income (Document #17). Ms. Toscana presented an Income Flow Chart (Document #24) and answered several questions from the Committee.

### **Unified Judicial System – Review of Company 3012**

Ms. Janet Borchard, Director of Budget and Finance for the Unified Judicial System addressed the Committee regarding Company 3012, Court Automation Fund, (Document #18). Ms. Pam Templeton, Information and Technology Director for the Unified Judicial System was also on hand to answer questions from Committee. Ms. Borchard detailed costs incurred as well as revenue to this fund. Ms. Templeton testified that UJS will be updating their automation system in phases, with the first step taking

place in the next few weeks. The proposed cost of this update is approximately \$500,000. UJS is hoping there will be sufficient funds in this account to handle the cost of updating.

*Senator Apa moved, seconded by Representative Peters, to adjourn the meeting. Motion prevailed unanimously on a voice vote.*

The Committee adjourned the meeting at 11:10 am.



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