



MINUTES

GOVERNMENT OPERATIONS AND AUDIT COMMITTEE

**Second Meeting
2010 Interim
October 4, 2010**

**Room 413
State Capitol
Pierre, South Dakota**

The second meeting of the 2010 Interim Government Operations and Audit Committee was called to order by Chair Tieszen at 10:02 a.m., October 4, 2010, in LRC Room 413, State Capitol Building, Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Senators Craig Tieszen and Jeffrey Haverly; Representatives Deb Peters, Paul Dennert, Quinten Burg, Charles Turbiville, and Kent Juhnke. Senators Jean Hunhoff and Margaret Gillespie were present via telephone. Senator Julie Bartling was excused.

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

Approval of Minutes

Representative Turbiville moved, seconded by Representative Juhnke, the minutes of the June 9, 2010 meeting be approved. Motion prevailed unanimously on a voice vote.

Attorney General's Office – Report on State Settlements Received (Doc's. 2, 23, 24, and 25)

Mr. Charles McGuigan, Assistant Attorney General and Ms. Kay McClain, Business Manager for the Attorney General's Office were on hand to report on the settlements received by the State over the last three years and answer Committee questions. The report, as presented by Mr. McGuigan, addressed three types of settlements received by the State: 1) Medicaid fraud settlements, 2) Consumer settlements and 3) Anti-trust settlements. In addition, the report provided information as to which State funds these settlement dollars were deposited in. The Committee requested that additional information be provided as to why the Community Food Bank of South Dakota was chosen to receive the Vitamins Antitrust Litigation Multi-state Settlement.

Department of Agriculture – Corn Utilization Audit Findings and Commercial Applicator Licensing (Doc's. 3 and 4)

Mr. Jon Farris, Acting Secretary of the Department of Agriculture and Mr. Brad Berven, Program Administrator for the Division of Agriculture Service, Department of Agriculture were present to address the Committee. Mr. Farris explained the process for licensing of aerial applicators. With licensing for aerial applicators the applicator must also provide documentation with the Department of Transportation identifying what airplane the applicator will be using. At this time there are approximately 5,500 commercial applicators that are required to be licensed yearly and approximately 18,000 private applicators requiring re-certification every 5 years. The testing takes place at local county extension offices. Mr. Farris stated that the Department of Agriculture is working with the county extension offices on enhancements to accelerate the licensing process.

Mr. Tim Flannery, Department of Legislative Audit gave a brief overview of the audit findings for the Corn Utilization Council for FY2009. Ms. Lisa Richardson, Executive Director for the Corn Utilization Council was present on the phone to explain the Council's responses to the findings. Ms. Richardson explained the makeup of the Corn Utilization Council and the number of staff employed by the Council. Because of the small size (staffing) of the office, the Council relies on the Board to oversee operations. Ms. Richardson testified that the Corn Utilization Council Board meets approximately 6 times a year and approves all expenditures. Ms. Richardson assured the Committee the Corn Utilization Council is aware of the risks involved, and they are taking the necessary measures to insure financial reporting accuracy. Mr. Farris serves as an ex-officio member of the Board and testified that the Corn Utilization Council does a commendable job of conducting business. No further action was deemed necessary by the Committee at this time.

Government Operations and Audit Committee Follow-up on Small Group Tours of Juvenile Contracted Facilities

Senator Tieszen and Representative Burg visited Our Home Inc. in Huron and Aurora Plains Academy in Plankinton and gave the following report: Our Home Inc. is primarily made up of drug, alcohol, and sexual offenders. Aurora Plains Academy serves the highest level of offenders with the lowest staff/student ratio. The capacity is approximately 60 residents. Some of the buildings are starting to need repair.

Senator Haverly and Representative Turbiville visited Canyon Hills Care Center, a Lutheran Social Services facility in Spearfish and Wellspring in Rapid City and gave the following report: Canyon Hills Care Center serves approximately 20 youth and receives Medicaid funding. Wellspring also serves approximately 20 youth and does not receive Medicaid funding. Wellspring has a high turnover in staff and is in need of updating to the facility.

Representative Juhnke and Senator Tieszen toured Chamberlain Academy and gave the following report: The maximum capacity is 60 residents, with approximately 40 residents currently. Chamberlain Academy is recently under new management.

Representative Peters toured Summit Oaks, a Lutheran Social Services facility in Sioux Falls, Volunteers of America, and McCrossen Boys Ranch and gave the following report: Summit Oaks serves high level offenders suffering from sexual and self abuse. Summit Oaks has a high level of security serving both genders. The age of the residents ranges from 6 to 21 years of age. McCrossen Boys Ranch is a religious based, boys only facility serving residents from 6 years on up. McCrossen Boys Ranch is a working ranch with the residents being schooled on the grounds. McCrossen Boys Ranch contracts with other states.

Senator Hunhoff and Senator Bartling toured Our Home Inc. in Parkston and Springfield Juvenile Facility and gave the following report: Our Home is a newer facility serving approximately 30 residents of both genders who have sexual offender tendencies. Our Home contracts with the Parkston School to provide teachers and education for the residents on campus. Our Home has low employee turnover and uses no physical restraints. Springfield Juvenile Facility houses high level offenders and currently serves approximately 34 residents.

Representative Dennert toured New Beginnings Center and Almost Home in Aberdeen and gave the following report: The New Beginnings Center is a modern facility with a low staff turnover rate and approximately 20 residents of both genders. New Beginnings Center is a secure facility with the residents receiving their education on the grounds. Almost Home is a foster care setting, with 4 to 6 residents of the same gender living with adult parent figures in a house. The residents are enrolled in a local school.

Senator Tieszen visited Abbott House in Mitchell and gave the following report: Abbott House is one of the oldest programs in the state currently serving 38 girls. Abbott House recently received a private grant of \$3,500,000 to add on to the facility. Abbott House has a high level of offenders with a low resident/staff ratio.

The Committee voiced a common concern; are the juveniles tracked when they leave the facility to monitor success rates or the outcomes experienced by the youth? Mr. Doug Herrmann, Juvenile Services Director for the Department of Corrections stated that at the request of Secretary Reisch, of the Department of Corrections, they have already begun to track this data in an effort to demonstrate the outcomes of various levels of service to the youth. The Committee requested that Mr. Herrmann provide this type of report to the Committee in the future. All visits, with the exception of the Our Home facility in Parkston, had representatives from the Department of Corrections and the Department of Social Services on the tour.

Contract Carryovers – (Doc's. 8 – 19)

With the assistance of the Bureau of Finance and Management a complete listing of general fund contract carryovers was prepared by the Department of Legislative Audit. The Committee selected eleven contracts for further review. The Department of Legislative Audit obtained copies of these contracts and an explanation from the various agencies of the current status of each of the contracts. Mr. Tim Flannery presented this information to the Committee on the following contracts:

1. Department of Social Services contract with Client Network Services for SDMEDIX system. The work on the project is expected to be completed and final contract made by June 2011.
2. Department of Education contract with the Dakota Furniture for furniture and shelving for the move into the McKay Building (former State Library). The work on the project is complete and final contract payment has been made.
3. SDN Communications contract with the Department of Education for the move into the McKay Building. The work on the project is complete and the Department of Education is waiting to receive the final invoice on the contract.
4. Department of Military and Veterans Affairs contract with Banks, Johnson, Colbath, Sumner and Kappelman Attorneys and Counselors at Law for legal services relating to a roofing project at an armory in Rapid City. This legal matter is expected to be resolved by December 2010.
5. Department of Education contract with Deloitte Consulting for studies on the State's current data collection capabilities. The work on the project is complete and the Department of Education is waiting to receive the final invoice on the contract.
6. Department of Education contract with Anaca Technologies for the development of the South Dakota Career Planning and Assessment Program system. This project is still open and the estimated completion date is August 31, 2012.
7. Department of Military and Veterans Affairs contract with Schoenfelder Construction for the demolition of the Combined Surface Maintenance Shop in Mitchell. The project is expected to be completed and final contract payment made by October 15, 2010.
8. Department of Military and Veterans Affairs contract with the House of Glass for the replacement of doors and windows in various armories in Aberdeen and Rapid City. The project is expected to be completed and final contract payment made by June 2011.
9. Department of Corrections contract with SDN Communications to provide wireless service at the Mike Durfee State Prison, State Penitentiary and Women's Prison. The work on the project is complete and the Department of Corrections is waiting to receive the final invoice on the contract.
10. Department Human Services contract with United Roofing and Remodeling for the replacement of the roof at the Human Service Center in Yankton. The work on the project is complete and final contract payment has been made.
11. Unified Judicial System contract with Programming Solutions, Inc. for a new case management system. The project is expected to be completed and final payment made by May 31, 2011.

Some discussion followed.

Department of Human Services – Report on Abuse and Neglect in Private Placement Facilities for the Period January 1, 2010 through June 30, 2010 (Doc’s. 5, 6, and 7)

Mr. John Ellis, Juvenile Corrections Monitor for the Department of Human Services addressed the Committee on the Public Section of the Juvenile Corrections Monitor Semi-Annual Report for the reporting period January 1, 2010 through June 30, 2010. There was no further discussion.

Department of Legislative Audit – Update on the Single Audit for Fiscal Year Ending June 30, 2010

Mr. Bob Christianson, Department of Legislative Audit provided the Committee with an update on the fiscal year 2010 single audit. Mr. Christianson testified that 10 state agencies will be audited because of their receiving American Recovery and Reinvestment Act (ARRA) funds, detailing which agencies will be audited and the progress of the audits. The Department of Legislative Audit will also audit the Federal High Risk Pool Program. The Federal High Risk Pool Program is one of the first tasks in implementing the new health care reform law and will temporarily provide affordable health insurance for South Dakotans with qualified preexisting medical conditions. There was no further discussion.

Report on Abuse and Neglect in Private Placement Facilities – Confidential Report (Handout)

Mr. Doug Herrmann, Juvenile Services Director for the Department of Corrections addressed the Committee regarding the Report on Abuse and Neglect in Private Placement Facilities - Confidential Report. At the Committee request, Mr. Herrmann also gave some background information on Almost Home. Mr. Herrmann stated that Almost Home is 1 of 3 homes purchased by Northeast Mental Health Center for the purpose of transitioning juveniles into the community through a home setting. The Committee requested documentation in the future regarding after-care and outcomes of the youth served in juvenile contracted facilities.

Department of Human Services – Follow up items from Prior Meetings (Doc’s. 20 and 21)

Mr. Tim Flannery reviewed documentation presented by the Department of Human Services regarding follow-up matters. The Department of Human Services provided a listing of future maintenance and repair projects at the Human Services Center in Yankton and the South Dakota Developmental Center in Redfield. In addition, the Department provided maintenance and repair expenditures from Company 2034 for fiscal years 2008, 2009, 2010 and 2011.

GOAC Annual Report 2010 – Draft Document (Doc. 22)

The Department of Legislative Audit will update the draft report of the GOAC Annual Report 2010 and submit it to Senator Tieszen. *Representative Dennert moved, seconded by Representative Peters, to allow Senator Tieszen to approve the final copy of the GOAC Annual Report 2010 for presentation to the Executive Board on November 15, 2010. Motion prevailed unanimously on a roll call vote.*

Future Items for Discussion

- Blue Book
- Single Audit Status

Future Meeting Date

December 6, 2010

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

The Committee adjourned the meeting at 3:18 p.m.



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