



MINUTES

GOVERNMENT OPERATIONS AND AUDIT COMMITTEE

**Third Meeting
2010 Interim
December 6, 2010**

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

The third meeting of the 2010 Interim Government Operations and Audit Committee was called to order by Chair Tieszen at 9:10 a.m., December 6, 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, Jean Hunhoff, and Jeffrey Haverly; Representatives Deb Peters, Paul Dennert, Charles Turbiville, and Kent Juhnke. Senators Julie Bartling and Margaret Gillespie were present via telephone. Representative Quinten Burg 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 Peters, the minutes of the October 4, 2010 meeting be approved. Motion prevailed unanimously on a voice vote.

Department of Labor – Review of Employment Security Contingency Fund-Company 3030 (Doc. 2)

Mr. Dick Flemmer, Director of Administrative Services, Department of Labor, and Mr. Lyle Harter, Department of Labor were present to discuss with the Committee the Employment Security Contingency Fund. Mr. Flemmer gave a brief overview explaining the purpose of the fund and the sources and uses of dollars in the fund.

Public Utilities Commission – Review of Gross Receipts Tax-Company 3128 (Doc's. 3 and 7)

Mr. Steve Kolbeck, Chairman of the Public Utilities Commission, Ms. Cindy Kemnitz, Finance Manager for the Public Utilities Commission, Ms. Patricia Van Gerpen, Executive Director for the Public Utilities Commission, Ms. Leah Mohr, Assistant Executive Director for the Public Utilities Commission, and Mr. Gary Hanson, Commissioner for the Public Utilities Commission were present to address the Committee. Mr. Kolbeck handed out Document 7 for the Committee to review. Mr. Kolbeck gave a brief overview explaining the creation of the fund and how the fund has evolved. Mr. Kolbeck also reviewed the history of utility revenues and gross receipts tax payments as listed on page 2 of Document 7. Ms. Kemnitz answered committee questions

regarding the increase in the fund balance. Ms. Kemnitz explained the balance was primarily due to gross receipts tax and not fines collected. There was no further discussion.

Bureau of Personnel – Review of South Dakota Risk Pool Fund-Company 6521 (Doc. 4)

Ms. Mary Keeler, Bureau of Finance and Management, representing the Bureau of Personnel, and Mr. Larry Kucker, Risk Pool Program Manager, Bureau of Personnel were present to address the Committee. Ms. Keeler gave the Committee a brief overview of the function of Company 6521. Ms. Keeler answered Committee questions regarding dollar amounts received from carrier assessments and premiums and also explained a breakdown on expenditures. Ms. Keeler also gave testimony to the amount of federal dollars Company 6521 received for fiscal years 2010, 2009, 2008, and 2007. Mr. Kucker addressed the Committee regarding eligibility for a child on the Risk Pool plan versus Children's Health Insurance Program (CHIP). Mr. Kucker explained the difference in eligibility between the South Dakota Risk Pool and the federal risk pool. Mr. Kucker testified that at this time the South Dakota Risk Pool will end December 31, 2013 due to pending health care reform. There was no further discussion.

Department of Revenue – Review of Bank Special Revenue Fund-Company 6520 (Doc's. 5, 8, and 9)

Mr. Roger Novotny, Director of the Division of Banking, and Mr. Tim Ahartz, Deputy Director of the Division of Banking were present to address the Committee. Mr. Novotny presented Documents 8 and 9 and gave a brief overview of the function of the Division of Banking. Mr. Ahartz answered Committee questions regarding the difference between examining banks and trust companies. Mr. Ahartz stated that the Division of Banking alternates with the Federal Reserve or the FDIC in examining banks every 12 or 18 months, whereas the Division of Banking solely examines the trust companies. Mr. Ahartz reviewed the graph on Document 9 and the changes in fee structure. No further action was deemed necessary by the Committee at this time.

Department of Legislative Audit – Update on the Single Audit for Fiscal Year ending June 30, 2010 (Doc. 10)

Mr. Bob Christianson, Department of Legislative Audit provided the Committee with an update regarding audits and audit findings for FY 2010 performed by the Department of Legislative Audit and independent auditing firms. Mr. Christianson reported that the Department of Legislative Audit participated in the US Office of Management and Budget's Pilot II Project testing four grants and completed the testing sooner than required. Mr. Christianson will continue to update the Committee as more audits are completed.

Department of Transportation – Review of Other Funds-Companies 3040, 3041, 3042, and 3044 (Doc. 6)

Mr. Darin Bergquist, Secretary of the Department of Transportation, and Ms. Kellie Beck, Finance Officer for the Department of Transportation were present to address the Committee. Mr. Bergquist first addressed the Committee regarding the State Highway Fund – Company 3040. Mr. Bergquist stated the primary reason for the increase in this fund was the stimulus funds the Department of Transportation had received. Mr. Bergquist stated all the stimulus funded projects took priority, while regular projects with state match have been delayed. Mr. Bergquist also stated that the wet weather had caused delays in projects and estimates a large

amount of carryover monies going into 2011. Lastly, Mr. Bergquist stated that revenues into the highway department have exceeded projections. Some Committee discussion followed. Mr. Bergquist discussed the State Aeronautics Fund – Company 3041, the Railroad Administration Fund – Company 3042, and the Railroad Trust Fund – Company 3044 with a brief overview of the source of revenue for each fund and expenditures of each fund. Some Committee discussion followed.

Future Items for Discussion

- DOC/DSS Follow-up on Springfield Facility Youth Runaways
- Blue Book
- Single Audit
- Bidding process for Higher Education projects

Future Meeting Date

Tentative date of April 27th, 2011 for a future meeting.

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

The Committee adjourned the meeting at 11:20 a.m.



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