



MINUTES

GOVERNMENT OPERATIONS AND AUDIT COMMITTEE

**Second Meeting
2013 Interim
June 11, 2013**

**Room 414
State Capitol
Pierre, South Dakota**

The second meeting of the 2013 Interim Government Operations and Audit Committee was called to order by Chair Dryden at 9:04 a.m., June 11, 2013, in LRC Room 414, State Capitol Building, Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Senators Larry Tidemann and Phyllis Heineman; Representatives Dan Dryden, and Susan Wismer. Senator Jean Hunhoff and Representative Mark Mickelson were present via DDN. Representative Cronin was present via cell phone. Senators Corey Brown and Angie Buhl O'Donnell, and Representative Melissa Magstadt were excused.

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

Approval of Minutes

Senator Tidemann moved, seconded by Senator Heineman, the minutes of the May 14, 2013 meeting be approved. Motion prevailed unanimously on a voice vote.

Item 1 – Department of Social Services update on the implementation of the new Medicaid Management Information System

Ms. Kim Malsam-Rysdon, Secretary for the Department of Social Services, and Ms. Brenda Tidball-Zeltinger, Fiscal Officer for the Department of Social Services were present to address the Committee on the status regarding the implementation of the new Medicaid management information system (SDMEDX). Ms. Malsam-Rysdon handed out a document that detailed the history and current status of the upgrade. Ms. Malsam-Rysdon described specific project concerns that the Department of Social Services has, and as a result their agency is meeting on a weekly basis to closely monitor the situation. Ms. Malsam-Rysdon is hopeful for a late summer restart date. Ms. Malsam-Rysdon and Ms. Tidball-Zeltinger provided the following answers to Committee questions:

- Of the original \$62 million contract, \$50 million has been expended
- The provider portal and provider enrollment features are live on the system
- The system does have the capability to handle the increased volume that will take place before the system is fully functional
- How current claims are processed versus how they will be processed when the new system goes online
- Changes continually filter down from the federal level that must to be implemented

- The Bureau of Information and Technology (BIT) serves as IT support management for this program
- BIT has contracted with a private individual to act as contract manager

The Committee will continue to monitor and request updates on this topic.

Item 2 - Department of Labor and Regulation – Division of Insurance update regarding the licensing of health insurance companies under the Affordable Care Act

Mr. Randy Moses, Deputy Director for the Division of Insurance was present to testify to the Committee about the licensing of health insurance companies, under the Affordable Care Act, that will take effect on January 1, 2014. Mr. Moses explained how open enrollment will work, how premiums will be figured, how ratings will work, and described essential benefits and cost-sharing. All health insurance companies will be affected. Companies are grand-fathered in if they were in business before March 23, 2010. The Division of Insurance deadline for companies to apply to sell health insurance in South Dakota through the Federal Health Insurance Exchange is June 15, 2013. Mr. Moses stated that this will be a challenge for the Division of Insurance to handle the company applications that will be coming in.

Mr. Moses explained that the Federal High Risk Pool will end as of January 1, 2014. The South Dakota Risk Pool Fund will remain in effect until legislation is passed to terminate the fund.

Mr. Moses provided the following answers to Committee questions:

- There will be minimal changes to the insurance benefits of State employees
- There has been significant improvement in long-term care insurance offered in South Dakota

The Committee requested Mr. Moses provide an update on the licensing of health insurance companies, under the Affordable Care Act, at the next meeting.

Item 3 – Department of Revenue – FY12 Single Audit findings and corrective action plan

Mr. Jason Dilges, Commissioner of the Bureau of Finance and Management, Mr. Michael Houdyshell, Director of Property and Special Taxes, Department of Revenue, and Ms. Joan Serfling, Director of Administrative Services, Department of Revenue were present to address the Committee on the FY12 Single Audit findings and the Department of Revenue's corrective action plan. Mr. Dilges was present in the absence of Mr. Andy Gerlach, Secretary of the Department of Revenue. Mr. Dilges first addressed the Committee regarding the bank taxes audit finding. Mr. Dilges concurred with the finding and offered an explanation of how it happened and the steps taken to correct it. Mr. Dilges then addressed the Committee regarding the finding on large construction project refunds. Mr. Dilges testified that this finding may re-occur. The Committee requested an update from the Bank Franchise Tax task force at the upcoming meeting.

Item 4 – BHSU and USD discussion on teacher placement programs for low-income areas of South Dakota

Dr. Rodney Custer, Provost, Black Hills State University, and Dr. Kay Schallenkamp, President for Black Hills State University, and Dr. Melody Schopp, Secretary for the Department of Education were present to address the Committee on teacher placement programs for high-

need areas of South Dakota. Dr. Custer and Dr. Schallenkamp handed out a document explaining Project Select, a field based program with courses taken online and at Rapid City and Douglas sites while actually working in schools. In addition, Project Second provides options for those who must remain employed while taking courses online with field experiences and student teaching arranged in home locations. Both of these options result in secondary teacher certification. Dr. Schallenkamp testified that Project Select is a self-supportive program that has produced more than 100 teachers for South Dakota schools in the past six years. The goal of this program is to secure teachers who will have a long term commitment to teach in high-need schools within the state.

Dr. Rick Melmer, with project GoTeach South Dakota, also handed out a document and addressed the Committee. Dr. Melmer explained that GoTeach South Dakota is part of the Teacher Quality Partnership Grant Program (TQP) from the US Department of Education. The objective of the grant is to increase student achievement in K-12 schools by developing highly qualified teachers to serve high-need areas. Teacher candidates for GoTeach are provided a laptop computer and books, but they pay for their tuition as would any other student. GoTeach South Dakota is in the 4th year of a 5 year grant. Dr. Melmer testified that additional funding may be necessary after the grant runs out. Dr. Melmer also testified that there is a need for more minority candidates as well as a need for more incentives to attract those candidates. Dr. Schopp also testified that current data collected does not measure how individual teachers impact student performance, but that different tools and assessments are being developed to better measure student achievement. There was no further discussion at this time.

Item 5 – Single Audit Report for Fiscal Year 2012

Mr. Bob Christianson, Department of Legislative Audit addressed the Committee on the Single Audit Report for fiscal year 2012. Mr. Christianson answered Committee questions regarding audit adjusting entries made to the 2012 Comprehensive Annual Financial Report (CAFR). Committee discussion followed on selecting certain agencies to testify regarding audit findings. This topic will be re-visited in the future.

Future Items for Discussion

- Annual report from the 911 Coordinator
- Bureau of Information and Technology – Resources required for the MMIS project
- Blue Book – Other fund information by agency
- Game, Fish and Parks – Big horn sheep licenses
- Goals from agencies receiving Build South Dakota Fund dollars
- Juvenile Correction Monitor and Department of Corrections semi-annual reports
- Update from the newly created Oversight Council identified in Senate Bill 70 (2013 Session)

Future Meeting Dates

The next meeting will be held August 21, 2013 at 9:00 a.m.

Senator Heineman moved, seconded by Senator Tidemann to adjourn the meeting. Motion prevailed unanimously on a voice vote.

The Committee adjourned the meeting at 2:45 p.m.



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