



August 4, 2017

Brinda Kuhn  
BC Kuhn, LLC  
1905 Sunny Springs Drive  
Rapid City, South Dakota 57702

Dear Ms. Kuhn:

The Government Operations and Audit Committee has scheduled a meeting for August 29, 2017, in room 362, in the State Capitol Building, to review various issues involving state government.

The Committee requests that you provide written answers to the following questions from Committee members by August 21, 2017 and be present on August 29, 2017 to discuss your answers with the Committee:

1. Who contacted and worked with you during the writing and submitting of the grant for Gear Up?
2. Were you involved with any subsidiaries that resulted from the grant application?
3. Do you currently have any working relationship with the subsidiaries that were involved with Mid Central Educational Cooperative?
4. What was the financial arrangement resulting from the grant application and Mid Central Educational Cooperative? Any subsidiaries you were involved with.
5. When did you first become aware that Stacy Phelps was simultaneously a member of the South Dakota Board of Education and the Program Director for the GEAR UP grant at Mid Central?
6. When did you first become aware that Stacy Phelps was simultaneously the Program Director for the GEAR UP grant at Mid Central and the Chief Executive Officer for the American Indian institute for Innovation (AIII)?
7. When did you first become aware that Stacy Phelps employed 10 family members at his GEAR UP summer camp, paying them, according to the Eide Bailly audit, over \$386,000 during a two-year period?
8. When did you first become aware that an 11th Phelps family member [Alice Phelps] was on AIII's payroll for \$90,000 per year as the Principal of a school run by AIII, for which she was also an Administrative Coordinator?
9. When did you first become aware that Stacy Phelps was simultaneously the Chief Executive Officer for AIII and the President of Black Rock Consulting, one of seven corporations created by Scott Westerhuis, in which Scott Westerhuis was the Vice-President and Nicole Westerhuis was the Secretary?
10. When did you first become aware that Scott Westerhuis was simultaneously the Business Manager of Mid Central and the Chief Financial Officer of AIII?
11. When did you first become aware that Scott Westerhuis was simultaneously the Business Manager of Mid Central and the creator and registered agent of Oceti Sakowin Education

- Consortium, an organization whose Business Manager was Nicole Westerhuis, and, which, according to the Eide Bailly audit, received at least \$171,000 in GEAR UP funds?
12. When did you first become aware that Nicole Westerhuis was simultaneously the Business Manager of Oceti Sakowin and the Assistant Business Manager of Mid Central?
  13. When did you first become aware that Kelly Duncan was simultaneously a member of the South Dakota Board of Education and was being paid by Mid Central to manage the federally funded College Access grant, a purpose of which is to increase the number of low-income students who are prepared to enter and succeed in post-secondary education?
  14. When did you first become aware that Kelly Duncan was simultaneously a member of the South Dakota Board of Education, being paid or having been paid by Mid Central to manage the College Access grant, and being paid by the University of South Dakota to be an "independent evaluator" of the GEAR UP grant at Mid Central?
  15. When did you first become aware the Julie Mathiesen was simultaneously a member of the South Dakota Board of Education and serving in leadership roles in both Technology and Innovation in Education (TIE) and Three Rivers Special Services Cooperative in Philip, SD?
  16. When did you first become aware that Julie Mathiesen, while serving on the South Dakota Board of Education, was also, in her leadership roles at TIE and Three Rivers, signing about \$2 million of contracts with the SD Department of Education?
  17. When did you first become aware that Rick Melmer was simultaneously on Mid Central's Advisory Board, was being compensated as a consultant Mid Central, and was on the South Dakota Department of Education's Oversight Board for Native Education?
  18. When did you first become aware that former Education Secretary Melmer and former South Dakota Office of Indian Education Director Keith Moore were being paid by Mid Central (in part, with GEAR UP funds), but they neglected for months to submit effort logs showing what they had been working on?
  19. When did you first become aware that Mid Central was paying Melmer \$18,604 per month to be a Senior Advisor, a contract at least partially funded by GEAR UP, that also gave Melmer 12 days of vacation leave, 15 days of sick leave, two days of personal leave, state rates for mileage, and health and dental insurance? What advice did Melmer provide the Lead Gear Up Grant Partner, Department of Education, as a matter of his contract? Did the Department of Education approve of his contract? Monies expended to pay his salary?
  20. When did you first become aware that the Inspector General of the Bureau of Indian Affairs revealed that Melmer and Moore, while Moore was the Director of the Bureau of Indian Education in Washington, DC, attempted to steer a federal contract to friends in Pierre, SD, with the Inspector General concluding that Moore and his chief of staff "appear to have acted in violation of Federal ethics regulations governing impartiality...and the use of public office for private gain."? Where you the person who reported this to BIA? Did you report these conflicts of interest to the governor or his chief of staff? When? What were their responses to Melmer's & Moore's continued involvement in GEAR UP after their ethics violation was reported? Who approved their continued involvement after that report? (provide memos and emails in support of your answers)
  21. Do you have any knowledge or involvement in LuAnn Werdell's termination? Were you aware she made reports of illegalities to Department of Education, state officials?
  22. Besides LuAnn Werdell, and Roger Campbell, what other persons are you aware of that expressed concerns of improprieties or wrong doings of grants handled by Mid Central? All? Or any other entities managed by Stacy Phelps? Keith Moore? Rick Melmer? (provide all memos and emails in support of your answers)

23. When and how did you advise Governor Dugaard and/or his chief of staff of the circumstances above? (provide memos and emails in support of your answers) What were their responses to the information? (provide all memos and emails in support of your answers)
24. When and how did you advise the Attorney General, DCI, or any law enforcement, of any reports of fraud, misappropriation, or suspected criminal activity reported to you by any person? (provide all memos and emails in support of your answers)
25. When you applied for the South Dakota GEAR UP grant in 2005, did all you essentially do was white out "Maine" in a previous application and insert "South Dakota".
26. How much were you paid in total for giving airplane rides to the GEAR UP summer campers?
27. How many children received rides?
28. How many kids went to college because of the airplane rides?
29. Did anyone within Department of Education, South Dakota state government, federal government, ever make any comments or statements indicating your involvements in the grants administered by or through Department of Education were a conflict of interest?

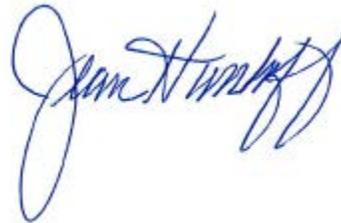
Please submit your answers to Tim Flannery, Department of Legislative Audit, 427 South Chapelle, Pierre, SD, 57501 by August 21, 2017 so that the information can be sent to all Committee members in advance of the actual meeting date. The meeting is scheduled to begin at 8:00 a.m. on August 29, 2017.

If you have any questions, please contact Tim Flannery with the Department of Legislative Audit at 773-3595.

Sincerely,



Senator Deb Peters, Chair  
Government Operations and Audit Committee



Representative Hunhoff, Vice-Chair  
Government Operations and Audit Committee