



MINUTES

GOVERNMENT OPERATIONS AND AUDIT COMMITTEE

**Fourth Meeting
2009 Interim
June 23, 2009**

**LRC 1 & 2
State Capitol
Pierre, South Dakota**

The fourth meeting of the 2009 Interim Government Operations and Audit Committee was called to order by Chair Peters at 9:00 a.m., June 23, 2009, in LRC Room 1 & 2, State Capitol Building, Pierre, South Dakota.

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

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 Senator Hunhoff, the minutes of the April 21, 2009 meeting be approved. Motion prevailed unanimously on a voice vote.

Department of Human Services – Review Various Funds (Doc’s 2, 3, and 15)

Mr. Jerry Hofer, Secretary of the Department of Human Services, and Mr. Dan Lusk, Deputy Secretary for the Department of Human Services addressed the Committee regarding various funds. Mr. Lusk explained in detail Document 15, which contains a breakdown of the different fund sources within Company 3046. There was no further discussion.

Office of Procurement Management – Update on the New Process for Bidding Office Supplies Contracts (Doc 4)

Mr. Jeff Holden – Director of the Office of Procurement Management, Bureau of Administration updated the Committee on the design of the new bid process. Mr. Holden testified to researching the bid solicitation procedures used by several surrounding states and the Western States Contracting Alliance. Mr. Holden explained the new process. The Committee expressed appreciation for the extensive research and attention given this process. The Committee requested Mr. Holden keep them informed on how the change is working.

Bureau of Administration – Review Various Funds (Doc’s 6, and 7)

Mr. Jeff Bloomberg, Commissioner for the Bureau of Administration, and Mr. Jim Neiles, Director of Finance, Bureau of Finance and Management, were on hand to address the Committee on various funds. Mr. Bloomberg handed out a document which listed projects connected to Company 3007, Statewide Maintenance and Repair Fund (M & R Fund). Mr. Bloomberg explained how the projects are prioritized. Mr. Bloomberg also reviewed Company 3113, M & R/ Capitol Complex, in relation to the renovation of the McKay Building (State Library) and Capitol Lake Plaza. Mr. Bloomberg testified to energy savings in lighting, heating and cooling as a result of these renovations. There was some

discussion on future plans for these buildings. The Committee requested further information on the estimated payback in energy savings for the Capitol Lake Plaza renovation and a listing of projects that may qualify for stimulus money. There was some Committee discussion on driving a state vehicle versus a personal vehicle and mileage reimbursement rates. The Committee also expressed interest in having the Bureau of Administration address the Committee at a later date to explain fuel purchases.

Department of Transportation – Response Regarding State Rest Areas (Doc 13)

Chair Peters reviewed the written response received from the Department of Transportation regarding the issue of using state rest areas for means of advertising and the issue of maintenance of the area. There was some Committee discussion. Representative Juhnke will take several topics of concern before the Transportation Summer Study. The Committee will possibly revisit this topic at a later date.

Single Audit Report – Review of the State of South Dakota Single Audit Report (Doc 14)

Mr. Bob Christianson explained the purpose and content of the Single Audit Report. Mr. Christianson and Mr. Tim Flannery addressed the Committee regarding the remaining FY08 audit findings, recommendations, and corrective action plans. As a result of these findings, the Committee requested further testimony from the Department of Social Services, Medicaid Fraud, the Department of Transportation, and the Board of Regents.

Department of Health – Review Various Funds (Doc's 8, 9, and 16)

Ms. Doneen Hollingsworth, Secretary of the Department of Health, and Ms. Kari Weisbeck, Finance Officer for the Department of Health addressed the Committee regarding various funds. Ms. Hollingsworth explained Company 3049, Tobacco Prevention and Reduction Trust Fund, and its funding sources. Ms. Hollingsworth explained the function of the Tobacco Program, and testified to the great success of this program.

Ms. Margaret Hanson, Executive Secretary for the Board of Medical and Osteopathic Examiners and Mr. Jim Slattery, staff person with the Board of Medical and Osteopathic Examiners were present to explain Company 6503. Ms. Hanson gave the Committee an update on recent changes. There was no further discussion.

Board of Regents – Update on Selection Process to Hire New Executive Director (Doc 10)

Dr. Tad Perry, Executive Director for the Board of Regents was present to address the Committee on the process used to hire a new executive director. Dr. Perry testified the process used was developed by the board approximately twenty years ago and has been used whenever hiring an executive officer. The Board engaged a professional consultant that had previous experience working with the Board in hiring searches. Dr. Perry testified the total cost of the consulting contract was approximately \$69,000, and the annual wage for the new executive director was \$323,000. Dr. Perry also testified that the Board of Regents makes the final decision in hiring.

Department of Agriculture – Black Hills Fire Mitigation Program (Doc's 11 and 17)

Mr. Joe Lowe, Wildland Fire Coordinator/Division Director, Department of Agriculture, and Mr. Steve Hasenohrl, Assistant Chief, Department of Agriculture were on hand to explain the function of the Black Hills fire mitigation program. Mr. Lowe explained the duties of the hand crews as twofold, fighting fire where trucks and engines cannot gain access and clearing downed materials which cause fire hazard. Mr. Lowe also testified to two different programs that use grant money to reimburse private land owners in clearing of downed materials. Mr. Lowe handed out Document 17, which is a listing of private contractors in the business of clearing downed materials. Mr. Lowe further testified as to how the private contractors secure work versus hand crews doing the work. Mr. Hasenohrl explained the grant money is

Federal money, with no guarantee his department will receive any. Some of the grant money being utilized at this time was received three years ago.

Committee Review and Discussion on Follow-up Items From Previous Meetings:

Mr. Flannery reviewed the provider list from the Department of Corrections (Doc. 12). There was no further discussion.

Mr. Marty Guindon addressed the Committee regarding auditing stimulus funds. Mr. Guindon explained a possible change in the timeline for the Single Audit Report to be completed. Mr. Guindon will update the Committee as developments occur.

Future Items for Discussion

- Quarterly Encumbrance Report
- Birth to Three Program Update
- Blue Book
- Department of Social Services – Audit Finding
- Stimulus Update
- Department of Corrections – Juvenile Correction Facilities
- Investment Council – Consulting Contract
- Department of Transportation – Audit Findings
- MHEC – Midwest Higher Education Compact
- Fire Mitigation – Bio-Fuels
- BFM Transfers List
- West River Tour

Future Meeting Dates

The Committee intends to meet on August 25, a September date to be announced at a later time for a possible West River tour, and October 20, 2009.

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

The Committee adjourned the meeting at 4:00 p.m.



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