



# MINUTES

## GOVERNMENT OPERATIONS AND AUDIT COMMITTEE

**Seventh Meeting  
2009 Interim  
December 7, 2009**

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

The seventh meeting of the 2009 Interim Government Operations and Audit Committee was called to order by Chair Peters at 9:05 a.m., December 7, 2009, in LRC Room 413, 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, and Jeffrey Haverly; Representatives Deb Peters, Paul Dennert, and Charles Turbiville. Senator Margaret Gillespie and Representative Kent Juhnke arrived shortly after roll call. 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 Senator Bartling, the minutes of the October 20, 2009 meeting be approved. Motion prevailed unanimously on a voice vote.*

### **Department of Social Services – Update on the SD MEDX Project and Plan to Manage Stimulus Funds (Doc's 2, 9, and 10)**

Ms. Deb Bowman, Secretary of the Department of Social Services, Mr. Rodger Leonard, Comptroller for the Governor's Office, and Ms. Brenda Zeltinger, Chief Financial Officer for the Department of Social Services were present to update the Committee on the progress of the SD MEDX Project, which will be replacing the Medicaid Management Information System (MMIS). Ms. Bowman briefly explained how the Medicaid billing system currently works versus how the new system will work. Ms. Bowman also reported that at this time the project is on schedule and within budget. Mr. Dave Gall, Administrator of the Energy Assistance Program, Department of Social Services was also present to address Committee questions. Mr. Gall testified that the Department of Social Services will receive funding from the American Recovery and Reinvestment Act (ARRA) of approximately 24 million dollars to be used on weatherization. The additional funding will allow the weatherization program to replace old furnaces with more energy efficient ones and to serve more individuals due to a change in qualification guidelines. Ms. Bowman also testified that the Department of Social Services is closely monitoring the activity of this funding to make sure it is fully utilized. This topic may be revisited if deemed necessary by the Committee.

### **Department of Transportation – Follow up on Previous Items and Plan to Manage Stimulus Funds (Doc's 3,11,12,13, and 14)**

Mr. Darin Bergquist, Secretary of the Department of Transportation was present to address the Committee. Mr. Bergquist handed out documents 11 and 12 that addressed previous Committee questions regarding Regional Rail Authorities, and active and dormant rail lines in the state. Mr. Bergquist handed out document 13, which explained the agreement between the State of South Dakota

and Lake Area Technical Institute in regards to ownership and liability of a previously mentioned state plane. Mr. Bergquist also handed out document 14 showing usage of Department of Transportation planes by individual departments over a three year period. Mr. Bergquist testified that his office has not needed to make any programmatic changes in order to disburse ARRA monies. There may be further discussion on these topics in the future.

### **Committee Review of Previous Items (Doc's 8 and 15)**

Mr. Tim Flannery, Department of Legislative Audit reviewed documents from the Department of Corrections that addressed Committee questions on the inmate banking system and the Syscon encumbrance contract. The Committee requested further information on the Syscon contract.

There was no new information submitted regarding the Military and Veterans Affairs agenda item.

Mr. Flannery explained information on a contract between SDSU and the Department of Revenue. The Committee is requesting further information.

### **American Recovery and Reinvestment Act Testing**

Mr. Marty Guindon, Department of Legislative Audit reported to the Committee the results of the testing over two grants the state received as a result of the ARRA monies. The two grants were part of the U.S. Office of Management and Budget pilot project with respect to internal controls over ARRA monies. Mr. Guindon reported that no significant deficiencies were found in the testing of internal controls of either of the two grants. Mr. Guindon also informed the Committee that these results have been reported to the appropriate agencies at the state and federal level.

### **Department of Tourism and State Development – Governor's Million Dollar Challenge Contracts, Professional Service Contract Bidding Process, and Additional Tourism Tax Collected (Doc's 4 and 16)**

Mr. Richard Benda, Secretary of Tourism and State Development, Mr. Tom Davis, President of River City Racin', and Mr. Jim Schade, Board Member for Tourism and State Development were present to address the Committee. Mr. Benda briefly explained the application process for the Million Dollar Challenge grant money, the requirements applicants need to meet to qualify for the grant money, and the time frame for expiration of the grant money. Mr. Benda testified that River City Racin' was a prime example of how the challenge was designed to work, as it has had successful results. Mr. Davis handed out document 16 and explained to the Committee how River City Racin' was developed. The event started in 2006 and has completed three years of competition. Mr. Davis testified to the huge success of the event, which draws competitors on a national level. Mr. Schade explained the criteria used by the board in determining what programs qualify for the grant money. Mr. Benda also testified to the King Tut exhibit that was previously held at the Goss Opera House in Watertown.

Mr. Benda explained the marketing strategy behind the Thurman and Thurman contract. The strategy was to develop a series of radio add campaigns in the states of Minnesota and Iowa to attract new businesses and new workers to South Dakota. Mr. Benda testified that he has received positive feedback from the campaign and that the State has received 56% more hits from the prior year on the SD Ready to Work.com website.

Mr. Benda explained the effect House Bill (HB) 1260 (passed during the 2009 Session) has had on the Department with respect to professional service contracts. The Department has begun using the Office of Procurement Managements template for preparing requests for proposals (RFP). He identified four current year service contracts that went out for bids and the responses received. He felt that vendors were pleased with the new bidding process for service contracts. Mr. Jeff Holden, Office of Procurement

Management testified that RFP's on service contracts are now posted on the office's website for all vendors to view.

Mr. Benda responded to questions raised on HB 1072 (passed during the 2009 Session) regarding the additional dollars raised by the ½% increase in the tourism tax. He stated that the Department provides this information to the Joint Committee on Appropriations. To date the Department has received an additional \$1,495,000 from this additional tax.

#### **Board of Pharmacy – Other Funds in Company 6503 (Doc 5)**

Mr. Ronald Huether, Executive Secretary of the Board of Pharmacy, and Ms. Sue Schaefer, Executive Director of South Dakota Pharmacists were present to address the Committee regarding Company 6503. Mr. Huether testified that currently 1,650 pharmacists are registered in the state, and the annual fee for licensing renewal is \$125. Mr. Huether anticipates future expenses to this fund including the updating of the computer system to handle online verification and renewal of licensing, and monitoring of prescription drugs. There was no further discussion.

#### **Game, Fish and Parks – Funds 3122 and 3125 (Doc's 6 and 7)**

Mr. Chris Petersen, Finance Officer and Director of Administration for the Department of Game, Fish and Parks addressed the Committee regarding the following funds: Company 3122 – Department of Game, Fish and Parks Fund, and Company 3125 – Parks & Recreation Revolving Fund. Mr. Petersen gave the Committee a review of numerous sub-funds within these two companies.

#### **Update on Recently Completed Audit Reports**

Mr. Bob Christianson, Department of Legislative Audit addressed the Committee on recent audit reports issued by the Department of Legislative Audit. There was no further discussion.

#### **Future Items for Discussion**

- Syscon Encumbrance Contract
- SDSU Contract with Department of Revenue
- ARRA Program Operational Reviews
- Health Department Update on H1N1
- Other Funds
- Department of Transportation Items
- Medical and Osteopathic Examiners

#### **Future Meeting Dates**

January 11, 2010 at 1:00 p.m.

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

The Committee adjourned the meeting at 2:30 p.m.



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