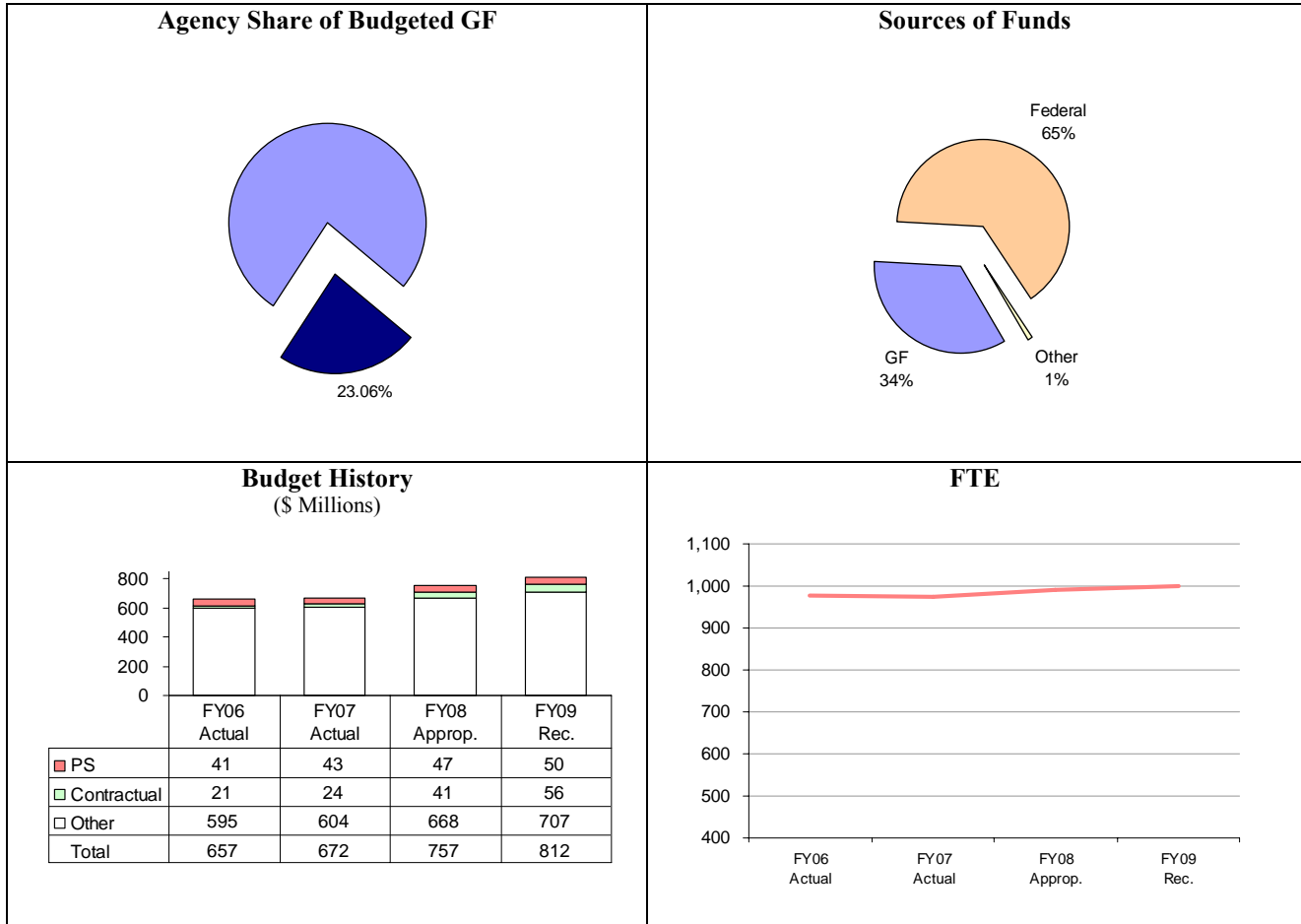


FY09 Budget Briefing

Department of Social Services



Key Responsibilities

- The Department of Social Services strengthens and supports individuals and families by fostering independence and personal responsibility; protecting people; providing opportunities for individuals to achieve their full potential; and promoting healthy families and safe communities by ensuring quality, cost effective and comprehensive services are provided in cooperation with our partners.

Key Personnel

- Deb Bowman, Secretary
- Brenda Tidball-Zeltinger, Finance Officer

Department Total – Social Services

The Department of Social Services' recommended budget consists of \$276,787,145 from the General Fund, \$526,621,103 from federal funds, \$8,471,032 from other funds, and 1,001.5 FTEs.

Item:	Actual FY07	Budgeted FY08	Agency Requested FY09	Governor's Recommended FY09	Inc/Dec FY09	% Change From FY08
Personal Services	43,298,335	46,660,393	47,540,267	49,542,939	2,882,546	6.2%
Travel	1,867,559	2,104,753	2,181,625	2,181,625	76,872	3.7%
Contractual Services	24,388,589	41,483,605	55,547,693	55,555,419	14,071,814	33.9%
Supplies & Materials	5,752,839	3,100,732	3,226,759	3,226,759	126,027	4.1%
Grants And Subsidies	593,774,937	662,065,462	711,128,255	700,249,751	38,184,289	5.8%
Capital Outlay	2,402,206	1,072,787	1,072,787	1,072,787	-	0.0%
Other	41,323	50,000	50,000	50,000	-	0.0%
Total	671,525,788	756,537,732	820,747,386	811,879,280	55,341,548	7.3%
Funding Types:						
General	239,394,681	263,496,580	280,130,772	276,787,145	13,290,565	5.0%
Federal	427,134,496	483,842,712	532,180,531	526,621,103	42,778,391	8.8%
Other	4,996,611	9,198,440	8,436,083	8,471,032	(727,408)	(7.9%)
Total	671,525,788	756,537,732	820,747,386	811,879,280	55,341,548	7.3%
FTE	975.2	990.5	998.5	1,001.5	11.0	1.1%

SALARY POLICY

The Governor's recommendation throughout this analysis also includes funding for Performance And Compensation Equity (PACE) movement of 2.5% for those employees who are paid under the job-worth of their pay range, a 2.5% across-the-board increase for all permanent employees, and an increase in the employer paid portion of the state health insurance plan. The recommended amounts for each segment of the compensation package for the Department of Social Services are as follows:

	General Funds	Federal Funds	Other Funds	Total
2.5% PACE Movement	213,665	322,462	12,294	548,421
2.5% Across-the-Board	405,300	612,562	20,855	1,038,717
Health Insurance	97,632	147,875	462	245,969
Total	716,597	1,082,899	33,611	1,833,107

Major Expansion and Reduction

Budget Item	Agency Request			Governor's Recommendation		
	State General Fund	Total Funds *	FTE	State General Fund	Total Funds *	FTE
A. FMAP	(5,845,827)	0		(5,845,827)	0	
B. Provider Inflation	11,360,978	27,746,578		11,960,377	29,156,733	
C. Administration:						
accounting FTE		(67,757)	-1.0		(67,757)	-1.0
increased rents		8,861			8,861	
D. Economic Assistance:						
Energy Administration		12,408			12,408	
Quality Control		5,337			5,337	
SSI Supplementation	45,802	45,802		45,802	45,802	
Medicaid Eligibility		32,812			32,812	
Field Staff		340,715			340,715	
minor item		400			400	
E. Medical & Adult Services:						
Title XIX transportation		648,846			648,846	
MMIS personal services	38,626	386,282	8.0	55,583	623,604	12.0
MMIS operating expenses		13,400,000			13,400,000	
increased clients		6,591,682			6,591,682	
increased utilization		2,090,108			2,090,108	
revised FY08 projections	(589,475)	(2,739,205)		(589,475)	(2,739,205)	
growth in Part D eligibles		14,191			14,191	
ASA field staff		13,071			13,071	
F. Children's Services						
field staff postage		9,000			9,000	
CPS Administration		50,423			50,423	
Family Preservation mandate		127,101			127,101	
criminal records check		3,778			3,778	
subsidized guardianship		48,169			48,169	
subsidized adoption and medical		235,600			235,600	
independent living		42,580			42,580	
Court Ordered Supervision	1,170,000	1,170,000		1,170,000	1,170,000	
CPS Field Staff-PS	298,476	493,592		298,476	493,592	
CPS Field Staff-OE		242,717			242,717	
Child Care Direct Assistance	1,225,764	1,225,764		1,164,915	1,164,915	
Before/after school grants		(179,885)			(179,885)	
Bush Foundation Grant		(77,157)			(77,157)	
G. Salary Policy				716,597	1,833,107	
Total of items listed	7,704,344	51,921,813	7.0	8,976,448	55,341,548	11.0
* All funds may include General Funds as a breakdown was not always available.						

A. FMAP

A decrease of \$5,845,827 from the State General Fund is due to a change in the FMAP (Federal Medical Assistance Percentage) rate. This change results in an appropriation shift from the State General Fund to federal funds.

(The Federal government pays a share of the medical assistance expenditures under each State's Medicaid program. That share, known as the FEDERAL MEDICAL ASSISTANCE PERCENTAGE or FMAP, is determined annually by the feds with a formula that compares the State's average per capita income level with the national income average. States with a higher per capita income level are reimbursed a smaller share of their costs. In State Fiscal Year 2009, the federal share will be 61.92% and the state share will be 38.08%. The federal share is 1.17% higher than what it is in FY08 and the state's share is less.)

Note: this is only a portion of the total cost of the FMAP change to South Dakota. The Department of Human Services and the Department of Corrections budgets are also impacted.

<i>Division</i>	<i>Amount</i>
Administration	5,173
Economic Assistance	6,136
Medical & Adult Services	5,455,110
Children's Services	379,408
DEPARTMENT TOTAL	<u>\$5,845,827</u>

B. 2.5% PROVIDER INFLATION

The Governor recommends a provider inflation **increase of 2.5% equating to \$29,156,733** from all funds. The department initially requested a 2% provider inflation increase.

Note: this is only a portion of the total cost of the provider inflation change to South Dakota. The Department of Human Services and the Department of Health budgets are also impacted.

<i>Division</i>	<i>General Funds</i>	<i>Total</i>
Economic Assistance	240,378	704,093
Medical & Adult Services	11,241,172	27,605,922
Children's Services	478,827	846,718
DEPARTMENT TOTAL	<u>\$11,960,377</u>	<u>\$29,156,733</u>

C. ADMINISTRATION

➤ General Administration: The Governor recommends a **decrease of \$67,757 and 1.0 FTE** to consolidate upper level accounting under BFM.

➤ Recoveries and Investigations: The Governor recommends an **increase of \$8,861** to reflect increased costs in rents.

➤ FMAP funding "flip" from general funds to federal funds for the Administration division is **\$5,173**.

D. ECONOMIC ASSISTANCE

➤ Provider inflation 2.5% increase for Auxiliary Placement in in-state institutions is \$209,435 (general funds). Auxiliary Placement pays for education and related services for children under the care of the state or other entities per SDCL 13-28-39. An increase of \$322,811 (federal fund authority) is for TANF grants. The Governor recommends an increase of \$109,961 of federal funds for Department of Labor contracts for the TANF work program. The Governor recommends an increase of \$61,886 to meet projected expenditures by the Department of Labor contract to deliver the Food Stamp Employment and Training Program. Economic Assistance total provider inflation increase is **\$704,093**.

➤ FMAP funding "flip" from general funds to federal funds for the Economic Assistance division is **\$6,136**.

➤ Energy Administration: The Governor recommends an **increase of \$12,408** for increased postage to bring to the FY07 level.

➤ Quality Control: The Governor recommends an **increase of \$5,337** for rents based on current rent agreements.

➤ SSI State Supplementation: The Governor recommends an **increase of \$45,802** in general funds for forecasted SSI eligibles whose sole source of income is SSI.

➤ Medicaid Eligibility: The Governor recommends an **increase of \$32,812** for increased rents, janitorial and other based on current lease agreements.

➤ Economic Assistance Field Staff: The Governor recommends an increase of \$34,436 for in-state travel; \$197,378 for rents, janitorial, and maintenance based on current lease agreements; \$82,761 for postage and supplies; and \$26,140 for county costs for space. This is a total **increase of \$340,715**. (\$160,433 general)

E. MEDICAL & ADULT SERVICES

➤ Provider Inflation for the Medical and Adult Services Division: \$11,241,172 general and \$16,364,750 federal for a total increase of **\$27,605,922**.

➤ FMAP funding "flip" from general funds to federal funds for the Medical and Adult Services division is **\$5,455,110**.

➤ Title XIX Transportation: The Governor recommends an **increase of \$648,846** (\$324,423 each general and federal) for Title XIX Transportation. This program provides reimbursement to Medicaid recipients for travel expenses when a physician referral for medically necessary services requires travel. The expansion is requested to increase reimbursement rates to current state per diem. These rates have not been increased for several years.

➤ Medicaid Management Information System (MMIS) personal services: The Governor recommends an **increase of \$623,604** (\$55,583 general) and **12.0 FTEs** for successful

implementation of the new MMIS system. (Salary policy of \$25,744 is included in the Governor's recommended salary policy total.)

➤ Medicaid Management Information System (MMIS) operating expenses: The Governor recommends an **increase of \$13,400,000** of federal fund authority to fund the MMIS replacement for FY09.

➤ Medical Services: The Governor recommends a net **increase of \$6,591,682** due to increased medical services clients. (This includes \$1,752,099 for increased Indian Health Services clients.)

➤ Medical Services: The Governor recommends a net **increase of \$2,090,108** due to increased utilization of medical services.

➤ Medical Services: The Governor recommends a net **decrease of \$2,739,205** due to revised FY08 projections. (At the time of this printing, the department had not responded regarding a possible amendment to the FY08 General Bill.)

➤ Adult Services & Aging (ASA) Field Staff: The Governor recommends an **increase of \$13,071** for increased janitorial and rents.

F. CHILDREN'S SERVICES

➤ Provider Inflation for the Children's Services division: \$478,827 general, \$361,195 federal, 6,696 other, total increase of **\$846,718**.

➤ FMAP funding "flip" from general funds to federal funds for the Children's Services division is **\$379,408**.

➤ Child Support Field Staff: The Governor recommends an **increase of \$9,000** for increased postage costs.

➤ Child Protection Services Administration: The Governor recommends an increase of \$16,523 due to increased travel costs for field/provider visits. Also, an increase of \$24,000 is recommended for increased telecommunications, advertising, and increased space costs. An increase of \$9,900 is recommended for increased printing. The total **increase for these three items is \$50,423**.

➤ Family Preservation and Support Services: The Governor recommends an **increase of \$127,101** which will be used to help meet federal mandates for reporting of visits for children in care.

➤ Criminal Records Check: The Governor recommends an **increase of \$3,778** based on an increased number of applicants for foster and adoptive care.

➤ Subsidized Guardianships: The Governor recommends an **increase of \$48,169** for expansion in the number of guardianships from 148 to 159 at an annual cost of \$4,379 per new guardianship.

➤ Subsidized Adoption and Medical: The Governor recommends an **increase of \$235,600** for 50 additional adoption subsidies from 1269 in FY08 to 1319 in FY09.

➤ Independent Living: The Governor recommends an **increase of \$42,580** for increased demand for youth from age 18-21 leaving foster care and needing independent living services for initial living expenses.

- Court-Ordered Supervision: The Governor recommends an **increase of \$1,170,000** of general funds for court-ordered supervision project. This project provides for contracts with private agencies to work in collaboration with Child Protection Services (CPS) in fulfilling the responsibility set by the court in providing supervision of family situations when children are returned to the parents. The supervision will involve visits by the provider staff to the family's home and include ongoing assessment of the child and family's circumstances and progress in relation to the remaining safety threats that contribute to the child being placed out of the home prior to reunification. The regularity and focus of the visitation and assessment will be based on a case plan developed with the family during intervention and the in-home safety plan developed with the family, their support system, the provider staff, other professionals, and CPS. The goal of the project is to provide additional supports to families when their children have been returned home to assure safety, strengthen the family unit and prevent re-entry into foster care. This project was part of HB 1072 last year.
- CPS Field Staff: The Governor recommends an **increase of \$493,592** to raise Family Services Specialists from an N14 to an N15 in the classification system for recruitment and retention. The department states the job that CPS staff does is extremely challenging, stressful and they make decisions about the lives of families and children that have a long term impact. Once staff are hired, they often do not make this a career due to the difficulty of the work and the toll it takes on their personal lives. (\$298,476 general, \$195,116 federal)
- CPS Field Staff: The Governor recommends an increase of \$29,913 for increased lodging per diem; \$179,846 for equipment services, janitorial, advertising, equipment rental, office space, maintenance contracts, and other contractual services; and \$32,958 for increased postage costs. The total recommended **increase for operating expenses is \$242,717**.
- Child Care Direct Assistance: The Governor recommends an **increase of \$1,164,915** (general funds) for Child Care Direct Assistance. The expansion is for an additional 130 cases and is based on historical caseload increases and the cost increase of the Market Rate Survey.
- Provider Grants-Before/After School: The Governor recommends a **decrease of \$179,885** in federal fund authority for before/after school provider grants. The department states it is no longer funding first year, start-up programs. Funding will finish out programs in a current 3-year funding cycle.
- Bush Foundation Grant: The Governor is recommending a **decrease of \$77,157** in other fund authority due to anticipated cuts to the Bush grant program.

Administration

The Administration Division manages and coordinates all other offices, programs, and activities in the agency. It provides the services of legal, statistical analysis, budgetary review, accounting and financial management, provider reimbursement and audits, electronic benefits, and operations technology services.

The total recommended budget for Administration consists of \$26,114,323 and 178.7 FTEs.

Item:	Actual FY07	Budgeted FY08	Agency Requested FY09	Governor's Recommended FY09	Inc/Dec FY09	% Change From FY08
Personal Services	6,780,818	7,556,859	7,556,859	7,781,571	224,712	3.0%
Travel	142,303	163,056	163,056	163,056	-	0.0%
Contractual Services	7,998,942	16,943,279	16,952,140	16,952,140	8,861	0.1%
Supplies & Materials	178,015	145,205	145,205	145,205	-	0.0%
Grants And Subsidies	3,167	-	-	-	-	0.0%
Capital Outlay	2,261,663	1,072,351	1,072,351	1,072,351	-	0.0%
Other	1,170	-	-	-	-	0.0%
Total	17,366,078	25,880,750	25,889,611	26,114,323	233,573	0.9%
Funding Types:						
General	7,831,158	6,713,720	6,712,880	6,828,349	114,629	1.7%
Federal	9,530,118	18,948,106	18,957,807	19,066,879	118,773	0.6%
Other	4,802	218,924	218,924	219,095	171	0.1%
Total	17,366,078	25,880,750	25,889,611	26,114,323	233,573	0.9%
FTE	170.2	179.7	179.7	178.7	(1.0)	(0.6%)

REVENUES – None Reported

- General Administration: The Governor recommends a **decrease of \$67,757 and 1.0 FTE** to consolidate upper level accounting under BFM.
- Recoveries and Investigations: The Governor recommends an **increase of \$8,861** to reflect increased costs in rents.
- FMAP change (+federal - general) for the Administration Division is **\$5,173**.
- The recommendation for salary policy is **\$292,469**.

PERFORMANCE INDICATORS

	<u>FY07</u>			<u>FY08</u>			<u>FY09</u>
	Original Estimate	Actual	Difference Over (Under) Estim.	Original Estimate	Current Estimate	Change in Estimate	Estimate
ADMINISTRATIVE HEARINGS:							
Fair Hearings Requested	400	371	(29)	375	425	50	425
RECOVERIES and INVESTIGATIONS:							
Fraud Investigation Activity:							
Investigations Assigned	850	838	(12)	820	850	30	875
Fraud Prevention Investig. Completed	130	122	(8)	125	125	0	125
Fraud Prevention Investig. Substantiated	110	107	(3)	90	100	10	100
Investigations Completed	840	1,496	656	1,300	1,500	200	1,500
Fraud and Nonfraud Recovery Activity:							
Dollars Recovered	\$25,000,000	\$13,949,445	(11,050,555)	\$20,000,000	\$15,000,000	(5,000,000)	\$15,500,000

Economic Assistance

The Economic Assistance division provides financial, medical, food, and energy assistance to eligible people to enable them to achieve and maintain a reasonable standard of living.

The total recommended budget for Economic Assistance consists of \$64,659,525 and 314.5 FTEs.

Item:	Actual FY07	Budgeted FY08	Agency Requested FY09	Governor's Recommended FY09	Inc/Dec FY09	% Change From FY08
Personal Services	13,788,390	14,796,054	14,796,054	15,379,010	582,956	3.9%
Travel	300,130	360,242	394,678	394,678	34,436	9.6%
Contractual Services	2,109,796	2,139,621	2,396,548	2,396,548	256,927	12.0%
Supplies & Materials	989,419	978,694	1,052,863	1,052,863	74,169	7.6%
Grants And Subsidies	42,696,741	44,660,391	45,327,688	45,436,426	776,035	1.7%
Capital Outlay	5,688	-	-	-	-	0.0%
Other	-	-	-	-	-	0.0%
Total	59,890,164	62,935,002	63,967,831	64,659,525	1,724,523	2.7%
Funding Types:						
General	23,923,266	20,310,935	20,725,633	20,994,469	683,534	3.4%
Federal	35,966,898	42,324,067	42,942,198	43,365,056	1,040,989	2.5%
Other	-	300,000	300,000	300,000	-	0.0%
Total	59,890,164	62,935,002	63,967,831	64,659,525	1,724,523	2.7%
FTE	308.3	314.5	314.5	314.5	0.0	0.0%

REVENUES – None Reported

- Energy Administration: The Governor recommends an **increase of \$12,408** for increased postage to bring to the FY07 level.
- Quality Control: The Governor recommends an **increase of \$5,337** for rents based on current rent agreements.
- SSI State Supplementation: The Governor recommends an **increase of \$45,802** in general funds for forecasted SSI eligibles whose sole source of income is SSI.
- Medicaid Eligibility: The Governor recommends an **increase of \$32,812** for increased rents, janitorial and other based on current lease agreements.
- Economic Assistance Field Staff: The Governor recommends an increase of \$34,436 for in-state travel; \$197,378 for rents, janitorial, and maintenance based on current lease agreements; \$82,761 for postage and supplies; and \$26,140 for county costs for space. This is a total **increase of \$340,715**. (\$160,433 general)
- Provider inflation 2.5%: increase for Auxiliary Placement in in-state institutions is **\$209,435** (general funds). Auxiliary Placement pays for education and related services for children under the care of the state or other entities per SDCL 13-28-39. An increase of **\$322,811** (federal fund authority) is for TANF grants. The Governor recommends an increase of **\$109,961** of federal funds for Department of Labor contracts for the TANF work program. The Governor recommends an increase of **\$61,886** to meet projected expenditures by the Department of Labor contract to deliver the Food Stamp Employment and Training Program. Economic Assistance total provider inflation **increase is \$704,093**.

➤ FMAP change (+federal -general) for the Economic Assistance Division is **\$6,136**.

➤ The recommendation for salary policy is **\$582,956**.

<u>PERFORMANCE INDICATORS</u>	<u>FY07</u>			<u>FY08</u>			<u>FY09</u>
	Original Estimate	Actual	Difference Over (Under) Estim.	Original Estimate	Current Estimate	Change in Estimate	Estimate
ENERGY ASSISTANCE							
Weatherization:							
Homes Weatherized/Average Cost	1250/\$2,805	1,114/\$2,443		1,100/\$2,805	975/\$2,885	NA	954/\$2,944
Elderly Households Served	575	544	(31)	450	578	128	467
Energy Assistance:							
Househld Served/Elderly Househld Served	18,821/6,750	17,536/6,911	NA	19,421/6,900	18,136/6,975	NA	18,736/7,029
Community Assistance:							
Individuals Served	35,000	28,494	(6,506)	38,000	30,000	(8,000)	38,000
MEDICAL ELIGIBILITY							
Total Avg. Persons Elig. (XIX & XXI)	101,721	100,939	(782)	104,335	101,941	(2,394)	103,306
Aged/Blind	5,415/94	5,539/91	NA	5,417/91	5,473/91	NA	5,406/91
Disabled Adults/Disabled Children	11,281/2,372	13,699/2,583	NA	11,342/2,550	13,966/2,731	NA	14,249/2,880
DSS and DOC Foster Care Children	3,402	3,708	306	3,731	3,723	(8)	3,723
Pregnant Women (Pregnancy Serv.)	1,765	1,918	153	1,780	2,020	240	2,117
Medical Programs for Low Income Children:							
Title XIX Funded	31,412	31,628	216	32,064	32,484	420	33,064
Medicare Savings Program - QMB	2,995	3,193	198	3,587	3,326	(261)	3,459
Supplemental Medical Insurance (Buy-In):							
Medicare Sav. Program-SLMB & QI-1	1,484/625	1,647/781	NA	1,826/894	1,794/829	NA	1,942/877
Total Medicare Part A/B Buy-In Recipients	NA	926/14,683	NA	1,110/14,862	1,110/14,862	NA	1,110/14,862
Renal Disease	9	12	3	11	11	0	11
FOOD & NUTRITION PROGRAMS:							
Food Stamp (FS) Benefits Issued	68,668,986	69,164,107	495,121	73,481,644	71,792,343	(1,689,301)	74,520,452
FS Certified Households/Persons Ave./Mo.	27,879/65,766	24,675/60,107	NA	26,720/65,931	25,613/62,391	NA	26,586/64,762
FS: EMPLOY & TRAING PARTIC.(Ave./mo)	1,350	1,710	360	1,595	1,725	130	1,725
TANF CASES (Per Mo./Avg. Pay)	3,004/363.32	2,916/\$360.45	NA	3,005/360.25	3,005/\$371.26	NA	3,005/\$382.40
TANF Parent Cases (Avg per Month)	1,050	1,009	(41)	1,025	1,025	0	1,025
Annual Job Placements	1,575	1,371	(204)	1,450	1,450	0	1,450
AUXILIARY PLACEMENT:			0				
Children Served	665	608	(57)	690	608	(82)	608
DOC Children/CPS & Aux. Children	245/420	246/362	NA	261/429	246/362	NA	246/362

Medical and Adult Services

The Medical Services division provides medical assistance to eligible South Dakotans under Medicaid (Title XIX of the Social Security Act). It also provides a range of in-home and community based services to older adults in accordance with the Older Americans Act as well as administering the Victim Assistance programs.

The total recommended budget for Medical and Adult Services consists of \$633,117,937 and 147.5 FTEs.

Item:	Actual FY07	Budgeted FY08	Agency Requested FY09	Governor's Recommended FY09	Inc/Dec FY09	% Change From FY08
Personal Services	6,162,719	6,845,878	7,232,160	7,768,163	922,285	13.5%
Travel	315,922	330,633	330,633	330,633	-	0.0%
Contractual Services	7,852,511	15,681,471	29,094,542	29,094,542	13,413,071	85.5%
Supplies & Materials	3,093,309	461,895	461,895	461,895	-	0.0%
Grants And Subsidies	497,878,331	561,250,724	606,607,207	595,462,268	34,211,544	6.1%
Capital Outlay	5,234	436	436	436	-	0.0%
Other	1,702	-	-	-	-	0.0%
Total	515,309,728	584,571,037	643,726,873	633,117,937	48,546,900	8.3%
Funding Types:						
General	176,397,336	208,597,653	220,991,743	216,868,109	8,270,456	4.0%
Federal	337,114,649	372,487,294	419,249,040	412,759,191	40,271,897	10.8%
Other	1,797,743	3,486,090	3,486,090	3,490,637	4,547	0.1%
Total	515,309,728	584,571,037	643,726,873	633,117,937	48,546,900	8.3%
FTE	134.1	135.5	143.5	147.5	12.0	8.9%

REVENUES – None Reported

FMAP (Federal Medical Assistance Percentage) is the percentage of federal matching funds a state receives for its Medicaid Program. It is calculated based on a three-year average of state per capita personal income compared to the national average. South Dakota's FMAP rate is going up because its personal income is going down.

- FMAP change for Medical and Adult Services (+federal -general funds) is **\$5,455,110**. (general fund decrease)
- 2.5% provider inflation increase of **\$27,605,922** (\$11,241,172 general) for Medical and Adult Services.
- Title XIX Transportation: The Governor recommends an **increase of \$648,846** (\$324,423 each general and federal) for Title XIX Transportation. This program provides reimbursement to Medicaid recipients for travel expenses when a physician referral for medically necessary services requires travel. The expansion is requested to increase reimbursement rates to current state per diem. These rates have not been increased for several years.
- Medicaid Management Information System (MMIS) personal services: The Governor recommends an **increase of \$623,604** (\$55,583 general) and **12.0 FTE** for successful implementation of the new MMIS system. (Salary policy of \$25,744 is included in the Governor's recommended salary policy total.)

➤ Medicaid Management Information System (MMIS) operating expenses: The Governor recommends an **increase of \$13,400,000** of federal fund authority to fund the MMIS replacement for FY09.

➤ Medical Services: The Governor recommends a net **increase of \$6,591,682** due to increased medical services clients. (This includes \$1,752,099 for increased Indian Health Services clients.)

➤ Medical Services: The Governor recommends a net **increase of \$2,090,108** due to increased utilization of medical services.

➤ Medical Services: The Governor recommends a net **decrease of \$2,739,205** due to revised FY08 projections. (At the time of this printing, the department had not responded regarding a possible amendment to the FY08 General Bill.)

➤ Adult Services & Aging (ASA) Field Staff: The Governor recommends an **increase of \$13,071** for increased janitorial and rents.

➤ The recommendation for salary policy is **\$298,681**.

PERFORMANCE INDICATORS

	<u>FY07</u>			<u>FY08</u>			<u>FY09</u>
	Original Estimate	Actual	Difference Over (Under) Estim.	Original Estimate	Current Estimate	Change in Estimate	Estimate
Total Title XIX Eligibles	90,839	90,150	(689)	92,190	90,567	(1,623)	91,779
Total Title XXI Eligibles	10,882	11,230	348	12,145	11,374	(771)	11,527
Total Avg. Persons Elig (XIX & XXI)	100,721	100,393	(328)	104,335	101,941	(2,394)	103,306
Total Avg Cost Per Title XIX Eligible	\$3,828	\$3,762	(66)	\$4,110	\$3,939	(171)	\$4,313
Average Cost Per Prescription	\$7,215.00	\$6,750.00	(465)	\$76.62	\$70.92	(6)	\$77.66
Average Eligible Adult Svcs Clients	30,802	30,248	(554)	30,589	30,467	(122)	30,713
Childrens Care Hospital:							
Avg. Residents/Per Diem Paid	65/\$373.19	55/\$328.73	NA	55/386.94	65/\$390.73	NA	65/\$390.73
Managed Care Program Participants:							
Eligibles/Physicians in Primary Care	76,516/659	73,745/690	NA	77,604/694	74,851/690	NA	75,824/690
ADULT SERVICES AND AGING:							
Avg Monthly Cases/Unduplicated Clients	6,250/10,000	5,821/8,964	NA	6,250/10,000	6,000/9,000	NA	6,100/9,100
Personal Care, Nurs. & Homemaker Clients	4,700	4,712	12	5,250	4,900	(350)	5,000
Contracted Nursing and Aide Hours	390,000	354,330	(35,670)	423,462	385,000	(38,462)	400,000
Respite and Caregiver Clients	750	712	(38)	750	750	0	800
Adult Day Care Hours/Clients	65,000/175	54,956/121	NA	65,000/175	65,517/150	NA	65,517/150
Adult Foster Care	15	13	(2)	15	15	0	16
Victims Services:							
Unduplicated Victims Served/Sheltered	16,000/4,000	16,000/3,903	NA	17,000/4,200	17,000/4,200	NA	17,000/4,200
Victims Compensation Claims Approved	260	260	0	350	350	0	350

Children's Services

The Children's Services division provides services to families in the areas of child support and enforcement, child protection services, and child care services.

The total recommended budget consists of \$87,987,495 and 360.8 FTEs.

Item:	Actual FY07	Budgeted FY08	Agency Requested FY09	Governor's Recommended FY09	Inc/Dec FY09	% Change From FY08
Personal Services	16,566,408	17,461,602	17,955,194	18,614,195	1,152,593	6.6%
Travel	1,109,205	1,250,822	1,293,258	1,293,258	42,436	3.4%
Contractual Services	6,427,340	6,719,234	7,104,463	7,112,189	392,955	5.8%
Supplies & Materials	1,492,096	1,514,938	1,566,796	1,566,796	51,858	3.4%
Grants And Subsidies	53,196,699	56,154,347	59,193,360	59,351,057	3,196,710	5.7%
Capital Outlay	129,619	-	-	-	-	0.0%
Other	38,451	50,000	50,000	50,000	-	0.0%
Total	78,959,818	83,150,943	87,163,071	87,987,495	4,836,552	5.8%
Funding Types:						
General	31,242,921	27,874,272	31,700,516	32,096,218	4,221,946	15.1%
Federal	44,522,831	50,083,245	51,031,486	51,429,977	1,346,732	2.7%
Other	3,194,066	5,193,426	4,431,069	4,461,300	(732,126)	(14.1%)
Total	78,959,818	83,150,943	87,163,071	87,987,495	4,836,552	5.8%
FTE	362.6	360.8	360.8	360.8	0.0	0.0%

➤ Provider Inflation for the Children's Services division: \$478,827 general, \$361,195 federal, 6,696 other, for a **total of \$846,718**.

➤ FMAP funding "flip" from general funds to federal funds for the Children's Services division is **\$379,408**. (general fund decrease)

➤ Child Support Field Staff: The Governor recommends an **increase of \$9,000** for increased postage costs.

➤ Child Protection Services Administration: The Governor recommends an increase of \$16,523 due to increased travel costs for field/provider visits. Also, an increase of \$24,000 is recommended for increased telecommunications, advertising and increased space costs. An increase of \$9,900 is recommended for increased printing. The total **increase for these three items is \$50,423**.

➤ Family Preservation and Support Services: The Governor recommends an **increase of \$127,101** which will be used to help meet federal mandates for reporting of visits for children in care.

➤ Criminal Records Check: The Governor recommends an **increase of \$3,778** based on an increased number of applicants for foster and adoptive care.

➤ Subsidized Guardianships: The Governor recommends an **increase of \$48,169** for expansion in the number of guardianships from 148 to 159 at an annual cost of \$4,379 per new guardianship.

➤ Subsidized Adoption and Medical: The Governor recommends an **increase of \$235,600** for 50 additional adoption subsidies from 1269 in FY08 to 1319 in FY09.

- Independent Living: The Governor recommends an **increase of \$42,580** for increased demand for youth from age 18-21 leaving foster care and needing independent living services for initial living expenses.
- Court Ordered Supervision: The Governor recommends an **increase of \$1,170,000** of general funds for court ordered supervision project. This project provides for contracts with private agencies to work in collaboration with Child Protection Services in fulfilling the responsibility set by the court in providing supervision of family situations when children are returned to the parents. The supervision will involve visits by the provider staff to the family's home and include ongoing assessment of the child and family's circumstances and progress in relation to the remaining safety threats that contribute to the child being placed out of the home prior to reunification. The regularity and focus of the visitation and assessment will be based on a case plan developed with the family during intervention and the in-home safety plan developed with the family, their support system, the provider staff, other professionals, and CPS. The goal of the project is to provide additional supports to families when their children have been returned home to assure safety, strengthen the family unit and prevent re-entry into foster care. This project was part of HB 1072 last year.
- CPS Field Staff: The Governor recommends an **increase of \$493,592** to raise Family Services Specialists from an N14 to an N15 in the classification system for recruitment and retention. The department states the job that CPS staff does is extremely challenging, stressful and they make decisions about the lives of families and children that have a long term impact. Once staff are hired, they often do not make this a career due to the difficulty of the work and the toll it takes on their personal lives.
- CPS Field Staff: The Governor recommends an increase of \$29,913 for increased lodging per diem; \$179,846 for equipment services, janitorial, advertising, equipment rental, office space, maintenance contracts, and other contractual services; and \$32,958 for increased postage costs. The total recommended **increase for operating expenses is \$242,717**.
- Child Care Direct Assistance: The Governor recommends an **increase of \$1,164,915** for Child Care Direct Assistance. The expansion is for an additional 130 cases and is based on historical caseload increases and the cost increase of the Market Rate Survey.
- Provider Grants-Before/After School: The Governor recommends a **decrease of \$179,885** in federal fund authority for before/after school provider grants. The department states it is no longer funding first year, start-up programs. Funding will finish out programs in a current 3-year funding cycle.
- Bush Foundation Grant: The Governor is recommending a **decrease of \$77,157** in other fund authority due to anticipated cuts to the Bush grant program.
- The recommendation for salary policy is **\$659,001**.

REVENUES

	<u>FY07</u>			<u>FY08</u>			<u>FY09</u>
	Original Estimate	Actual	Difference Over (Under) Estim.	Original Estimate	Current Estimate	Change in Estimate	Estimate
Income Withholding	46,100,000	46,205,991	105,991	47,800,000	49,600,000	1,800,000	52,200,000
Direct from Noncustodial Parents	15,800,000	15,292,156	(507,844)	15,800,000	16,300,000	500,000	17,300,000
Non-DCS Collections	15,800,000	15,330,683	(469,317)	15,800,000	15,600,000	(200,000)	16,000,000
IRS Tax Refund Offsets	4,300,000	4,770,855	470,855	4,300,000	4,700,000	400,000	4,700,000
Received from Other States	6,200,000	5,834,291	(365,709)	6,300,000	5,800,000	(500,000)	5,800,000
Total	88,200,000	87,433,976	(766,024)	90,000,000	92,000,000	2,000,000	96,000,000

PERFORMANCE INDICATORS

	FY07			FY08			FY09
	Original Estimate	Actual	Difference Over (Under) Estim.	Original Estimate	Current Estimate	Change in Estimate	Estimate
CHILD SUPPORT:							
TANF/IVE Cases	3,100	3,352	252	3,700	3,400	(300)	3,400
Non-TANF Cases	25,800	27,303	1,503	30,000	28,500	(1,500)	29,800
TANF/IVE Arrears Only Cases	6,600	6,594	(6)	6,800	6,600	(200)	6,600
Non-DCS Cases	8,900	8,845	(55)	9,000	9,000	0	8,200
Total Payments Processed	425,000	531,120	106,120	540,000	560,000	20,000	585,000
Paternities Established	800	643	(157)	700	775	75	825
CHILD PROTECTION SERVICES:							
All Types of Requests for Services	19,500	17,357	(2,143)	19,000	17,000	(2,000)	16,700
Abuse & Neglect Requests for Srvs.	15,970	14,104	(1,866)	15,200	13,500	(1,700)	13,500
Assigned A/N Requests for Srvs./Children	4,312/7,654	3,417/6,377	NA	4,104/7,600	3,400/6,400	NA	3,400/6,400
Disposed A/N Requests for Srvs./Children	4,250/7,650	3,389/6,329	NA	3,504/7,387	3,300/6,300	NA	3,300/6,300
Children at Risk of Maltreatment	4,682	3,857	(825)	4,180	3,800	(380)	3,800
Children Req. Removal from Home	1,498	1,402	(96)	1,421	1,402	(19)	1,400
Children Staying at Home Need. Svcs	1,481	1,269	(212)	1,797	1,550	(247)	1,550
Adoption Subsidies:							
Mo. Avg. Maintenance & Med./Med. Only	1,196/70	1,256/40	NA	1,269/70	1,316/40	NA	1,319/40
Annual Maintenance Cost Per Client	\$4,465	\$4,489	24	\$4,637	\$4,624	(13)	\$4,707
Subsidized Guardianships:							
Average Clients/Cost Per Year	148/3,986	143/4,172	NA	148/4,470	148/4,297	NA	159/4,379
Alternative Care Placements:							
Relative Placemts Avg. Clients/Month	290	213	(77)	300	220	(80)	230
Avg. Out-of-Home Paid Placemts/Mo	1,317	1,334	17	1,334	1,287	(47)	1,287
Pd Placemts-Mo. Avg. Clients/Avg. Cost:							
Basic Foster Care	646/456	665/430	NA	672/465	672/465	NA	672/477
Specialized Treatment Foster Care	91/792	158/1,398	NA	189/1,302	176/1,450	NA	176/1,479
Emergency Care	147/276	129/310	NA	137/301	130/317	NA	130/323
Group and Residential Care	240/3,836	227/3,889	NA	81/3,206	72/3,492	NA	72/3,492
Psychiatric Facilities for Children	100/6,206	100/6,333	NA	257/\$5,478	234/6,346	NA	234/6,346
Child Care Assistance:							
Average Monthly Families Served	2,756	2,894	138	2,913	3,000	87	3,129
Average Monthly Children Served	4,961	4,933	(28)	5,243	5,400	157	5,623
Average Monthly Payment Per Case	\$381	\$405	24	\$409	\$428	19	\$443
Child Care Licensing and Registration:							
Registered Family Day Care Providers	900	885	(15)	920	900	(20)	910
Licensed Grp Family Day Care Centers	107	92	(15)	93	93	0	94
Licensed Day Care Centers	158	165	7	163	170	7	172
Licensed Out-of-School Time Progs	160	160	0	168	162	(6)	165

Other Departmental Issues

A. Budget Transfers (FY07 and FY08 year-to-date)

\$12,441,000 2.5 FTE	One-time transfer	05/04/2007 approved by BFM
<p>The Department of Social Services transferred \$12,441,000 in general funds from Medical Services to Child Protection Services (\$3,650,000), Child Support (\$377,000), Child Care Services (\$5,650,000), Economic Assistance (\$1,375,000), and Administration (\$1,389,000). Also transferred 2.5 FTE from Child Protection Services to Medical Services and Administration. This is a one-time transfer of both personal services and operating expenses. The funds will be used to extend the life of DSS federal funds, for the achieving in-home stability through supervision program per HB1072 passed during the 2007 session, for community assistance, and to address needs in administration such as phone system upgrades, security systems, and modular furniture. Funds are available due to lower than projected expenditures in the areas of inpatient hospital and prescription drugs.</p>		
\$4,170,000 3.5 FTE	One-time transfer	06/11/2007 approved by BFM
<p>The Department of Social Services transferred \$4,170,000 in general funds from Medical Services to Economic Assistance and Child Protection Services. Also transferred 3.5 FTE from Child Protection Services to Administration. This is a one-time transfer involving operating expenses. The funds transferred will be used to cover costs associated with the flood and to extend the life of DSS federal funds. Funds are available due to lower than projected expenditures in the Medical Services budget. The FTE will be used to cover shortfalls in the clerical pool.</p>		
\$8,232,700 14.0 FTE	Base transfer	06/12/2007 approved by BFM
<p>The Department of Social Services transferred \$131,500 in general funds, \$352,500 in federal fund authority, and 13.0 FTE from Children's Services to Administration. Transferred \$363,798 in general funds within Medical and Adult Services and transferred \$3,434,902 in general funds from Medical and Adult Services to Children's Services. Transferred \$3,586,202 in federal fund authority from Children's Services to Medical and Adult Services and transferred \$363,798 within Medical and Adult Services. Also transferred 1.0 FTE from Economic Assistance to Medical and Adult Services. This is a base transfer involving personal services and operating expenses. The funds and FTE will be used to pool DSS clerical FTE, and to extend the life of DSS federal funds. Funds are available due to lower than projected expenditures in the Medical Services budget.</p>		
		Total of all transfers: 24,843,700 20.0 FTE

B. Audit Findings

Finding No. 080002006004:

The Department of Social Services (DSS) moved \$1,100,000 from the State General Fund to a special revenue fund at the Department of Education (DOE) without proper authorization. The transactions were not recorded in accordance with generally accepted accounting principles.

During FY2006, the DSS and the DOE processed two documents moving \$1,100,000 from the State General Fund into the DOE's 'Other' special revenue fund. The DSS recorded this as a grant expenditure while the DOE recorded it as grant revenue. This transaction is not in accordance with generally accepted accounting principles.

Codification of Governmental Accounting and Financial Reporting Standards, section 1800.102 states:

Nonreciprocal Interfund activity is the internal counterpart to nonexchange transactions. It includes: (1) Interfund transfers - flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers should be reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

SDCL 4-8A-8 states:

.... Transfer of moneys appropriated by the General Appropriations Act between departments, institutions, and bureaus that is not necessary for a reorganization pursuant to Article IV, section 8 of the South Dakota Constitution may only occur at the written request of a governing body, department secretary, or bureau commissioner, or designee, only in accordance with procedures established by the Bureau of Finance and Management and only upon approval by the special committee created in this chapter.

To be properly recorded in accordance with general accepted accounting principles, the transactions should have been processed as transfers in and transfers out of the corresponding funds. This would have required, per SDCL 4-8A-8, approval from the special committee created under 4-8A-2 (commonly referred to as the Interim Appropriations Committee). This approval was never requested by either the DSS or the DOE.

Once the money was transferred to the DOE's 'Other' special revenue fund, the DOE moved \$905,485.60 in expenditures out of their federal fund and \$194,514.40 in expenditures out of their State General Fund and recorded the expenditures in the 'Other' special revenue fund in order to utilize the money in FY2006.

As a result, \$1,100,000 in State General Fund appropriation at DSS was not reverted at June 30, 2006, and was not available for appropriation by the Legislature.

RECOMMENDATIONS:

4. We recommend the Department establish controls to ensure transactions are recorded in accordance with generally accepted accounting principles.
5. We recommend the Department request budget transfer approval as required by state law.

Auditee's Corrective Action Plan - Department of Social Services:

Thank you for the opportunity to respond to Financial Statement Audit Finding 080002006004. We do not concur that funds were moved without proper authorization. The transaction was classified and reported as a reciprocal inter-fund activity by recording expenditures and revenues in accordance with generally accepted accounting principles.

The finding notes the Codification of Governmental Accounting and Financial Reporting Standards, section 1800.102 which speaks to non-reciprocal inter-fund activity. Our transaction with the Department

of Education (DOE) resulted in a purchase of services through the Department of Education's (DOE) Birth to 3 Program as the transaction with DOE provided speech therapy, audiology, physical therapy, and occupational therapy for children age 0-3 for a population served by both DSS and DOE. Therefore, we recorded the transaction as a reciprocal inter-fund activity as identified in 1800.102, a. (2).

Inter-fund services provided and used- Sales and purchases of goods and services between funds for a price approximating their external exchange value. Inter-fund services provided and used should be reported as revenues in seller funds and expenditures or expenses in purchases funds.

Because a good or service was provided in return, the transfer of funds via SDCL 4-8A-8 would not apply.

In response to your recommendations:

1. The transaction was reciprocal with the intent to record it in accordance with generally accepted accounting principles.
2. Since the transaction was reciprocal, budgetary approval is not necessary.

Auditee's Corrective Action Plan - Department of Education:

Thank you for the opportunity to review and comment on the audit findings and recommendations associated with your audit of the Department of Education as part of the State of South Dakota's single audit for the fiscal year ended June 30, 2006.

The information below will serve as the Department of Education's response to finding number 080002006004, which reads as follows:

The Department of Social Services (DSS) moved \$1,100,000 from the State General Fund to a special revenue fund at the Department of Education (DOE) without proper authorization. The transactions were not recorded in accordance with generally accepted accounting principles.

The Department of Education does not concur with this audit finding. In fiscal year 2006, the Department of Education and the Department of Social Services entered into an interagency agreement. The purpose of the agreement was to provide services through the Department of Education's Birth to Three Connections program to children age birth to three who were identified as being disabled or developmentally delayed. Services provided with the funding were primarily medical services including physical, speech and occupational therapy.

Though the finding refers to the Codification of Governmental Accounting and Financial Reporting Standards, section 1800.102 which discusses non-reciprocal interfund activity, the transaction discussed was not a non-reciprocal transaction. The Department of Social Services received a benefit in the form of early intervention services for children currently served or likely to be served by the Department of Social Services' programs. Therefore, the transaction was recorded as a reciprocal inter-fund activity as identified in the Codification of Governmental Accounting and Financial Reporting Standards, section 1800.102, a. (2):

Inter-fund services provided and used- Sales and purchases of goods and services between funds for a price approximating their external exchange value. Inter-fund services provided and used should be reported as revenues in seller funds and expenditures or expenses in purchases funds.

Because services were provided in return, SDCL 4-8A-8 does not apply to this transaction.

Therefore, in response to your recommendations:

1. The transaction was reciprocal with the intent to record it in accordance with generally accepted accounting principles.
2. Since the transaction was reciprocal, the transfer of funds between agencies did not occur and approval from the interim committee was not necessary.

Auditor's Comments on Corrective Action Plans:

We stand by our finding that the transaction addressed in this finding should have been treated as a transfer subject to approval by the Interim Appropriations Committee and provide the following additional comments regarding the agencies' responses:

1. The DOE's response identified that DOE and DSS entered into an interagency agreement in fiscal year 2006. The agreement was entered into (signed) on July 6, 2006, which was in fiscal year 2007. Also, the period of services to be provided under the agreement were from July 1, 2005 to June 30, 2006 which was prior to the date the agreement was signed. The interagency agreement language included the following:
 - DSS agrees to grant to DOE funds to support the Early Intervention Program for Infants and Toddlers with Disabilities, also known as the Birth to Three Connections Program.
 - Funds available under this grant will be used to provide direct services to children participating in the Birth to Three Connections Program.
 - A total of \$1,100,000 is granted to the DOE for services provided from July 1, 2005 to June 30, 2006.
2. The DOE and DSS contended in their response that the transaction discussed was a reciprocal inter-fund transaction and was properly recorded under GASB codification section 1800.102a(2). Section 1800.102a(2) identifies that reciprocal interfund activity includes interfund services provided and used in which sales and purchases of goods and services between funds for a price approximating their external exchange value.

We believe the following points support our conclusion that this was a nonexchange transaction and therefore the agencies' interpretation of the transaction is incorrect.

As identified in the interagency agreement, DSS was granting \$1.1 million to DOE to support the Birth to Three Connections Program. A grant is a form of voluntary nonexchange transaction. As identified in our comment, GASB section 1800.102 states that nonreciprocal interfund activity is the internal counterpart to nonexchange transactions. The DOE and DSS coding on their documents also support their interagency agreement language of the transaction being a grant. The DSS recorded the \$1.1 million as a grant expenditure in the State General Fund and DOE recorded the \$1.1 million coming into their "Other" special revenue fund as administering program revenue.

Section 1800.102a(2) states ". . . sales and purchases of goods and services between funds for a price approximating their external exchange value (emphasis added)." The interagency agreement does not specify a rate per service unit or the number of units to be provided. As such, the DOE could have provided as little as two hours of service to two children for the \$1.1 million. This would not approximate the sales and purchases of goods and services at external exchange value.

The expenditures that DOE moved from its federal fund and the State General Fund to its "Other" special revenue fund to effectively spend the \$1.1 million

provided by DSS were previously paid by DOE primarily as Consultative Specialist grant disbursements to school districts and other providers of the services. The DOE was not a provider of the service to the birth to three children.

Finding No. 080002006003:

The Department of Social Services (DSS) charged the State General Fund for expenditures that were eligible for reimbursement under federal grant programs. During the last month of FY2006, the DSS processed four documents moving \$7,429,708 in federal fund expenditures to the State General Fund. The expenditures were allowable under the federal programs where they were originally paid, but the DSS instead of requesting reimbursement from the federal government, charged the expenditures to the State General Fund. Of the total amount moved, the DSS had federal grant awards sufficient to claim \$7,066,066 in reimbursement from the federal government. Also during FY2006, the DSS was granted a \$1,300,000 special appropriation for the Low Income Energy Assistance Program through House Bill 1240. This bill contained an emergency clause making it effective once it was signed by the Governor (March 7, 2006). Starting on March 3, 2006, the DSS processed four documents that moved \$1,066,000 in expenditures out of their federal fund and into the State General Fund. These expenses were eligible for federal reimbursement, but because they were moved into the State General Fund, the federal grant reimbursement was never claimed.

As a result, \$7,066,066 in State General Funds were not reverted at June 30, 2006 and was not available for appropriation by the Legislature. Based upon the Investment Council's FY2006 proration rate, the State lost approximately \$20,900 in interest earnings per month because the \$8,132,066 was not requested for reimbursement from the federal government.

RECOMMENDATION: We recommend the DSS claim federal reimbursement for all eligible expenditures as soon as all applicable grant requirements have been met.

Auditee's Corrective Action Plan: Thank you for the opportunity to respond to State Audit Finding 080002006003 and to share information with you that explains why we do not concur with this finding.

As you know, the DSS utilizes a number of federal and other fund sources in addition to state general funds to support our budget. At any point during the year, we code expenditures to those fund sources based on the timing of when resources are available, what we project future expenditures to be, and what is allowable based on federal obligation or expenditure criteria.

During the 2006 Legislative Session, we were appropriated \$1.3 million in a special appropriation to fund both DSS' energy assistance program and the tribal programs. Our directive from the Joint Appropriations Committee was clear to spend those funds during 2006. After the close of the legislative session, we were notified that we would receive some additional federal contingency funds. However, we were also notified that the amount of the contingency funds would be reduced from our base award in that same amount, thereby only giving us short term funding. In addition, the obligation and expenditure period for these contingency funds was extended beyond the normal two year obligation/expenditure period for LIEAP funds. Given that, we did spend the special appropriation, we would have come before appropriations for additional general fund appropriations in the 2007 Legislative Session. Clearly, these funds were made available to us in the energy assistance program and we do not concur that the federal funds should have been utilized.

During the 2006 Legislative Session we also shared with the Joint Committee several federal fund sources where we are projecting significant shortfalls. This is due to use of prior year federal carryover

funds to support ongoing expenses. In Several areas including Child Care, Energy Assistance, and Temporary Assistance to Needy Families (TANF), annual expenditures exceed the amount of our federal award. We have been very open about these issues and with permission from the Chairs, we were allowed to transfer some general funds from Medical Services to these programs. Managing these long term funding issues with current available resources mitigated our general fund request for SFY08.

Auditor's Comments on Corrective Action Plan: We stand by our finding and reiterate that the finding addressed DSS recording expenditures to the State General Fund rather than to available federal grant funds. In other words, the State used its own money rather than drawing on federal money that was available and lost investment income as a result.

Additionally, DSS stated that the directive from the Joint Appropriation Committee was for DSS to spend the LIEAP special appropriation in FY2006 and had they not spent the appropriation they would have come to the 2007 Legislative Session requesting additional general funds. DSS did not need to spend the special appropriation in FY2006, because House Bill 1240 was a two year appropriation and specifically stated that "Any amounts appropriated in this Act not lawfully expended or obligated by June 30, 2007, shall revert...."

Finding No. 080002006002:

The Administrative Rules of South Dakota (ARSD) which contain payment rates for Medicaid and CHIP do not agree with payment rates approved in the Medicaid and CHIP State Plans. This is the second consecutive audit to contain a similar finding.

The Department of Legislative Audit recommends that the ARSD be maintained in accordance with Departmental procedures and the Medicaid and CHIP State Plans.

The DSS concurs with the finding and while rule changes are in process, it will take some additional time to be in compliance.

Finding No. 080002006001:

Payment rates were not updated in accordance with the State Plans for the Medical Assistance Program (Medicaid) and State Children's Health Insurance Program (CHIP). This is the second consecutive audit to contain a similar finding.

The Department of Legislative Audit recommends that the DSS set and update rates in accordance with the methodology approved in the Medicaid and CHIP State Plans.

The DSS concurs with the finding and has submitted updated language to CMS.

C. General Fund Reversions

General Fund Reversions FY03-FY07

FY03- \$ 3,337,370
FY04- \$ 200,081
FY05- \$ 369,894
FY06- \$ 8,228
FY07- \$ 455,473

D. Letters of Intent

There were no FY08 letters of intent.

E. Committee Requests

- The Committee requested a final report on the Flood Relief Funding.
- The Department indicated that it plans to hold an informational meeting for all legislators regarding the Long Term Care Report findings.
- The Committee requested that the Department continue to provide updated 'fact sheets' regarding the following: Sales Tax on Food Refund Program; MMIS; TANF Carryover Funds; and the Federal Poverty Guidelines and Program Eligibility document.