

Setting the Record Straight

The FACTS about National Public Radio's upcoming story

Introduction

Laura Sullivan, a reporter for National Public Radio (NPR), is working on a story on the Indian Child Welfare Act in South Dakota. Sullivan, a native of San Francisco, works for Washington, DC-based NPR.

Every state official who has dealt with Sullivan, including Secretary of Social Services Kim Malsam-Rysdon and Governor's Office Press Secretary Joe Kafka, has characterized Sullivan as being one-sided and predisposed to a particular position, regardless of the facts.

In addition to other insinuations, Sullivan is making numerous allegations against Governor Dennis Daugaard regarding his years as Executive Director of Children's Home Society of South Dakota. Each of these allegations demonstrates a clear disregard for the facts. (The full text of Sullivan's email is included at the end of this document).

Governor Daugaard believes strongly in openness and transparency in government, and he knows that a full disclosure of all the facts will demonstrate that Sullivan's reporting is based on incorrect information, half-truths, and an obvious desire to create a story rather than report the facts of the matter.

Before Sullivan and NPR release their story, Governor Daugaard would like to be forthcoming with the facts so that every South Dakotan – reporters, elected officials, and voters – knows the truth. A copy of this document is also being sent to Sullivan and her editors at NPR in Washington, DC, so they can consider the facts before they go forward with Sullivan's report.

There is a long history of contracts between the State and Children's Home Society to provide services for children, beginning years before Governor Daugaard's association with Children's Home Society.

DSS has had contracts with Children's Home Society going back to 1978, when it was first licensed as a specialized group treatment home. Currently, Children's Home Society is licensed as a psychiatric residential treatment facility (PRTF) for children aged 4 to 13.

After several years as a volunteer supporter of Children's Home Society, and then as a full-time fundraiser for Children's Home Foundation, Dennis Daugaard became Chief Operating Officer in 2002. He assumed this position as a part of a planned transition after the announced retirement of former Executive Director David Loving, who intended to retire in 2003. According to that plan, Daugaard assumed the position of Executive Director of Children's Home Society upon Loving's retirement in 2003.

Contract as a psychiatric residential treatment facility for children

There are 11 PRTF's in South Dakota that contract with DSS, and three of these are operated by Children's Home Society. Any program that meets state and federal licensure criteria as a PRTF can provide services to DSS and receive a state contract that provides for uniform reimbursement methods based on the number of children served for DSS. This is not a case where contractors "compete" against each other for contracts and is consistent with laws reviewed and passed as recently as 2010.

Although Governor Dugaard cares deeply about Children's Home Society, his plan to balance the state budget actually cut reimbursement rates to all PRTF contractors, including Children's Home Society, by 4.5 percent. Assuming that Children's Home Society serves the same number of children in State Fiscal Year (SFY) 2012 that it serves in SFY 2011, that amounts to a cut of \$313,587.

PRIDE/Kinship contract for training of foster and adoptive parents

DSS initiated the PRIDE contract in 1998 to provide training for foster and adoptive families. A request for proposal (RFP) process was used in 1998 to select an agency to provide this service in Sioux Falls, and Children's Home Society was the only agency to submit a proposal. In the years that followed, the size of the contract was increased to include more geographic areas, and adding the Kinship program in 2003. In 2010, DSS again issued a public RFP for the contract, and Children's Home Society was once again the only agency to submit a proposal.

Children's Home Society manages the PRIDE/Kinship program on a "break-even" basis, meaning that the society only uses funding from the program to reimburse its actual costs. If actual costs incurred by Children's Home Society are less than the contract amount, the excess funding stays with the state. As a consequence, Children's Home Society does not profit from this program, which over the last five years has accounted for only about 4.5 percent of their annual budget.

In a small state like South Dakota, DSS officials are aware of whether there are any other agencies that might compete in an RFP process. During the period in question, there were no other such agencies in South Dakota, which is why in both 1998 and in 2010 Children's Home Society was the only agency that responded to the RFP.

Other contracts

DSS also contracts with Children's Home Society to provide training and support for adoptive families, and to train DSS Child Protection Services staff. Children's Home Society is the only agency in South Dakota that is positioned to provide these services, and the awarding of these contracts complies with state law.

DSS Child Protective Services contracts with five agencies in South Dakota to provide treatment foster care for children with significant emotional or behavioral needs. Any licensed agency is

eligible to provide these services, which are reimbursed at a uniform rate based on children served per day.

None of the DSS officials mentioned were “subordinates” to Lt. Governor Daugaard during the Rounds Administration.

As lieutenant governor in the Rounds Administration, Daugaard was a part-time lieutenant governor. This has been the typical arrangement for most of the state’s lieutenant governors. Like a state legislator, a part-time lieutenant governor serves during the two-month legislative session, but has another full-time job.

Lt. Governor Daugaard presided over the senate, offered advice to Governor Rounds, and occasionally led special projects for the Governor. He did not oversee any personnel, and had no direct influence over decisions made by DSS employees. The Secretary of Social Services reported directly to Governor Rounds and to his Chief of Staff.

All of the information about Children’s Home Society contracts was publicly available, Children’s Home Society was a prominent provider of services, and Governor Daugaard’s position with Children’s Home Society was very well-publicized.

All state contracts are available to any member of the public, upon request. In addition, many state contracts are available online at <http://open.sd.gov>. NPR reporter Sullivan “obtained” these contracts by simply asking for them from the state auditor’s office.

Governor Daugaard’s position with Children’s Home Society has been widely reported for years in numerous news outlets in South Dakota. The following examples are the result of an incomplete ten-minute search of the online archives of just one source, KELOLAND News, which goes back a decade:

- “Daugaard is the chief operating officer of the Children’s Home Society of South Dakota.” *Rounds Announces Running Mate*, KELOLAND News, June 19, 2002 (<http://www.keloland.com/NewsDetail6162.cfm?Id=18335>)
- “Dennis Daugaard, the executive director of Children’s Home Society said...” *Fourteen Million Dollar Donation*, KELOLAND News, August 6, 2006 (<http://www.keloland.com/NewsDetail6162.cfm?Id=50040>)
- “The lieutenant governor is a former state legislator, and is currently the executive director of the Children’s Home Society of South Dakota.” *Daugaard Encouraged by Campaign Response*, KELOLAND News, October 30, 2007 (<http://www.keloland.com/NewsDetail6162.cfm?Id=62551>)
- “Daugaard sees his time as the executive director of Children’s Home Society, a Sioux Falls charity, as an asset.” *Daugaard’s Top Priority: Economic Development*, KELOLAND News, November 1, 2010 (<http://www.keloland.com/NewsDetail6162.cfm?Id=106606>)

In addition, Daugaard's work experience at Children's Home Society was a frequent talking point during his campaign for governor in 2010, as demonstrated in the November 1, 2010 KELOLAND News story. Daugaard not only discussed his management of Children's Home Society to demonstrate his experience leading an organization, he also cited the fact that Children's Home Society is a significant recipient of funding from DSS to demonstrate his understanding of Medicaid issues.

In short, Daugaard's work at Children's Home Society was a major part of his campaign, which is why it was mentioned in two statewide campaign commercials, each of which ran for weeks:

- "I left the bank, then, and joined Children's Home Society, a home for abused and neglected children, and became their executive director." Dennis Daugaard, speaking in a Daugaard for Governor campaign commercial available at <http://www.youtube.com/watch?v=h78IAI2Msfk>
- "Dennis has been a great leader for Children's Home." Linda Mickelson Graham, speaking in a Daugaard for Governor campaign commercial available at <http://www.youtube.com/watch?v=B3m9pB4rVbY>

Anyone who was engaged in politics, especially a former state lawmaker, must have been woefully under-informed if he or she was unaware that Daugaard was the executive director at Children's Home Society.

Sullivan's questions and reporting seem designed to create "the appearance of a conflict of interest" where none previously existed. In fact, this concern is strongly refuted by the fact that, although all of the facts are widely known and widely available, the issue has never been raised by any of Governor Daugaard's political opponents, nor any member of the South Dakota press.

Governor Daugaard has run in four statewide elections: twice for lieutenant governor, in a five-way Republican primary for Governor, and in a 2010 general election campaign that included many vigorous attacks from his Democratic opponent. No one in any campaign or in the press has ever questioned the propriety of Daugaard's widely-known role as Executive Director of Children's Home Society. In fact, his opponents often praised his work for Children's Home Society.

Background of Laura Sullivan's reporting methods

Earlier this year, Sullivan interviewed SD Secretary of Social Services Kim Malsam-Rysdon. Secretary Malsam-Rysdon said that "it was the most unfair, one-sided interview" she had ever witnessed, and that "it was very clear that Ms. Sullivan had her mind made up, no matter the facts, about this story."

As a part of her story, Sullivan wrote the following email to Governor's Office Press Secretary Joe Kafka on October 4:

From: Laura Sullivan
Sent: Tuesday, October 04, 2011 3:40 PM
To: Kafka, Joe (GOV)
Subject: NPR interview request

Joe,

Just to follow up on our phone conversation, we will be airing a story on foster care and the Indian Child Welfare Act in South Dakota in a few weeks. As part of that series, one story will focus very specifically on the role of Gov. Dennis Daugaard in securing millions of dollars in no-bid contracts for Children's Home Society while he was also Lt. Governor.

We have obtained a series of contracts from the time when Mr. Daugaard was both executive director and Lt. Governor. On all of them, Mr. Daugaard signs his name Executive Director of Children's Home Society, not Lt. Governor, while his subordinates in state government, including Deb Bowman, Virgena Wieseler and Brenda Tidball-Zeltinger sent his organization millions of dollars without bids or competition. We understand there are others signed by the then secretary of the Department of Corrections.

I would like to ask Gov. Daugaard if he felt it was appropriate as Lt. Governor to give such contracts to Children's Home and whether he feels this was in the best interest of tax payers or other organizations which may have also wanted to compete for such contracts. I would also like to ask him if he is concerned at all that in the very least these contracts could present the appearance of a conflict of interest or that he used his influence at Lt. Governor to secure the money for his organization.

We spoke with two former lawmakers who said they were not aware that Gov. Daugaard was a paid executive of Children's Home. They thought he was an unpaid board member and said they now view his appearance at appropriations hearings where social services funding was discussed as inappropriate.

We have also reached out to Virgena Wieseler and others named in the contracts for comment.

Thank you for your time, Laura

Press Secretary Joe Kafka, a widely-respected 29-year veteran of The Associated Press with impeccable credentials working in Washington, DC and in South Dakota, added that "It was apparent from Sullivan's questions that she went into this story with a fixed point of view and intends to achieve that result, without regard to the facts. I thought NPR was better than that."