



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Administration

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March 30, 2016

The Honorable Bill Stoltze, Chair
Senate State Affairs Committee
Alaska Capitol Building, Room 125
Juneau, Alaska 99801

Dear Senator Stoltze,

Thank you for the opportunity to present SB 171 DOA Payments; Repeal Other DOA Duties for consideration by the Senate State Affairs Committee. During the hearing on February 18th, Senator Wielechowski asked a question that we were unable to fully answer at that time.

Question: Please explain how the department will address the pre-auditing of claims given the statutory repeal in Section 2.

Response: The original statute states: Sec. 37.05.190. Pre-audit of claims. (a) The Department of Administration shall examine and audit every receipt, account, bill, claim, refund, and demand on the funds in the state treasury arising from activities carried on by state agencies. It shall determine whether or not the obligation is incurred in accordance with laws and regulations adopted under authority of law, and that the amount is correct and is unpaid.

(b) The department may not approve for payment an account, bill, claim, refund, or demand on funds in the state treasury unless the claim is ordered by act of the legislature or is contracted against the state by an authorized officer or agent of the state.

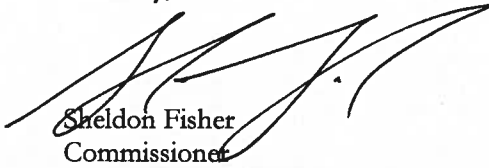
When the statute was written in 1957, all appropriations and payments were manually controlled and accounted for centrally within the Department of Administration. The statute no longer reflects the financial system process, which is now done electronically.

The processing of financial transactions with the proper audit controls to ensure payments and/or refunds of state funds is central to the configuration of the financial system maintained by the Department of Administration. A core feature is the ability to workflow documents (financial transactions) through defined requester, approver, and certifier roles that enforces segregation of duties; a key component in performing pre-audit functions within the system. In addition, budget controls are established in compliance with legislation to enforce spending beyond legal authority. Specifically, the agency certifier of the document performs the pre-audit functions of determining the obligation is in accordance with laws/regulations, payment is correct, and is unpaid.

To provide a frame of reference, so far this fiscal year the financial system has processed 1,650,000 documents with each having between 1 and 99 separate transactions. Establishing effective controls that mandate segregation of duties is an efficiency mechanism that allows this volume of documents to be processed timely without compromising pre-audit functions.

We appreciate the opportunity to discuss these issues and apologize for the delay in response. If there is anything else we can provide the committee, please do not hesitate to contact my office.

Sincerely,



Sheldon Fisher
Commissioner

cc: Darwin Peterson, Legislative Director, Governor Bill Walker