ALASKA STATE LEGISLATURE
LEGISLATIVE BUDGET AND AUDIT COMMITTEE
Division of Legislative Audit

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MEMORANDUM

TO: Kris Curtis, CPA, CISA
Legislative Auditor

FROM: Ross Alexander
Performance Review Manager

DATE: January 21, 2016

RE: Suggested Improvements to the Performance Review Program

We recently completed the second performance review cycle as stipulated by Alaska Statute (AS) 44.66.020. The Division of Legislative Audit's performance review team, with the help of outside contractors, completed reviews of the Department of Corrections in 2014 and the Department of Health and Social Services in 2015. As we begin the review of the Department of Education and Early Development, I want to address aspects of the performance review program that should examined to provide a more useful and robust program. Given the state's current budgetary challenges, the performance review program is a tool that can be sharpened to provide greater results without the need to increase program costs.

The following list contains recommendations for improvements to the performance review program.

Recommended improvements to the performance review program

1. The legislature should consider revising confidentiality rules regarding the performance review.
    a. The program would be well-served by including a legislative fiscal analyst on the review team to provide input on the financial impact of recommendations put forward by the review team.
    b. The Legislative Finance Division should also be permitted to review draft performance review reports prior to release as public documents in order to

use the findings and recommendations of the performance review when evaluating the state's projected budget.

2. The legislature should more clearly define the role and responsibility of the Legislative Finance Division after a performance review is released as a public document.
    a. The Legislative Finance Division should conduct its own research into what recommendations from the performance review report resulted in actual, realized savings to the state's budget. The Legislative Finance Division should not rely on the department under review to provide this information.
3. The legislature should consider expediting the review timeline.
    a. In order to enable the legislature to expedite the review timeline, DLA should develop a standard timeline for the development of the scope of work, procurement activities, review fieldwork, and report release process that is consistent for each performance review. The total length of time from contract signature to report release should be no greater than 6 months.
4. The legislature should consider repealing AS 44.66.020(c)(2).
    a. The department should not be asked to provide a list of proposed cuts to their programs. The review team should be responsible for making recommendations on how to reduce the department's budget through cost efficiencies identified during the course of the review.
    b. Alternatively, if not repealed, AS 44.66.020(c)(2) should be revised to require the department to provide lists of reductions totaling 2%, 5%, 7%, and 10% of their general fund budget.
5. The legislature should consider adding a "tollgate" meeting to the performance review process.
    a. After a report is released as a public document, the legislature should convene a bipartisan workgroup made up of key legislators from each legislative body, a representative from legislative finance, a representative from the governor's office, and a representative from the department.
    b. The workgroup would conduct a "tollgate" process to vet individual recommendations from the report and collectively determine which recommendations should be pursued.
    c. Following the "tollgate" process, the department should be held accountable to enact those recommendations that were selected by the workgroup.
6. The legislature should add a method of holding departments accountable to ensure those recommendations that are selected by the workgroup are pursued and implemented by the department.
    a. If the department does not realize at least 50% of the projected savings from the selected recommendations, the department's subsequent budget would be reduced by a commensurate amount.
7. The legislature should add a provision to statute requiring the department to report to the Legislative Budget and Audit Committee (LBAC) the progress on implementing the recommendations selected by the "tollgate" workgroup.
    a. The LBAC should confirm that the actions claimed by the department were actually made.
8. The legislature should consider revising AS 44.66.040(a)(2).
    a. The statute should be revised to be more clear on the purpose of the hearings.

   b. The legislature should consider giving DLA the authority to facilitate the public hearings without requiring a legislative committee to be the facilitator.
9. The legislature should consider repealing AS 44.66.040(d)(4).
   a. See item 4 above.
10. The legislature should consider repealing AS 44.66.040(c)(2)(B).
   a. If an agency program or action is not authorized by statute it will be determined in the course of the review, but it should not be implied that such programs exist in each department.
11. The legislature should consider revising AS 44.66.040(d)(15).
   a. The statute should be revised to provide clarity.
12. The legislature should consider repealing AS 44.66.040(d)(19).
   a. While there may be legislation that the review team identifies that needs to be revised, added, or repealed, the review team should not be asked to draft specific legislation.