

**ALASKA STATE LEGISLATURE
LEGISLATIVE BUDGET AND AUDIT COMMITTEE**

January 29, 2025

8:01 a.m.

DRAFT

MEMBERS PRESENT

Senator Elvi Gray-Jackson, Chair
Representative Zack Fields, Vice Chair
Senator Bert Stedman
Senator Cathy Giessel
Senator Lyman Hoffman
Senator Bill Wielechowski
Representative Neal Foster
Representative Andy Josephson
Representative Chuck Kopp
Representative Cathy Tilton
Senator Scott Kawasaki (alternate)
Representative Bryce Edgmon (alternate)

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Representative Jeremy Bynum

COMMITTEE CALENDAR

COMMITTEE ORGANIZATION

APPROVAL OF AGENDA

APPROVAL OF MINUTES

ROLES AND RESPONSIBILITIES: DIVISION SUPPORT FOR THE COMMITTEE
REVISION OF THE LEGISLATIVE BUDGET AND AUDIT COMMITTEE HANDBOOK
EXECUTIVE SESSION
TOP AUDIT ISSUES

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

ALEXEI PAINTER, Director

Legislative Finance Division
Legislative Agencies and Offices
Juneau, Alaska

POSITION STATEMENT: Presented on the roles and responsibilities of the Legislative Finance Division in support of the committee.

KRIS CURTIS, Legislative Auditor
Division of Legislative Audit
Legislative Agencies and Offices
Juneau, Alaska

POSITION STATEMENT: Presented on the roles and responsibilities of the Division of Legislative Audit; presented the revision of the committee handbook; presented FY 24 top audit issues.

ACTION NARRATIVE

[8:01:24 AM](#)

REPRESENTATIVE ZACK FIELDS called the Legislative Budget and Audit Committee meeting to order at 8:01 a.m. Representatives Josephson, Kopp, Edgmon (alternate), and Fields and Senators Stedman, Wielechowski, Giessel, Kawasaki (alternate), and Gray-Jackson were present at the call to order. Representatives Foster and Tilton, and Senator Hoffman arrived as the meeting was in progress.

COMMITTEE ORGANIZATION

[8:01:50 AM](#)

REPRESENTATIVE FIELDS announced that the first order of business would be committee organization. He opened nominations for chair of the Legislative Budget and Audit Committee.

[8:01:58 AM](#)

SENATOR GIESSEL nominated Senator Gray-Jackson as chair of the Legislative Budget and Audit Committee for the Thirty-Fourth Alaska State Legislature and moved that the nominations be closed. There being no objection, it was so ordered.

[8:02:18 AM](#)

SENATOR GRAY-JACKSON opened nominations for vice chair of the Legislative Budget and Audit Committee.

[8:02:26 AM](#)

SENATOR WIELECHOWSKI nominated Representative Fields as vice chair of the Legislative Budget and Audit Committee for the Thirty-Fourth Alaska State Legislature and moved that the nominations be closed. There being no objection, it was so ordered.

APPROVAL OF AGENDA

[8:03:20 AM](#)

SENATOR GRAY-JACKSON announced that the next order of business would be the approval of the agenda.

VICE CHAIR FIELDS moved that the Legislative Budget and Audit Committee approve the agenda, as presented. There being no objection, the agenda was approved.

APPROVAL OF MINUTES

[8:03:34 AM](#)

SENATOR GRAY-JACKSON announced that the next order of business would be the approval of minutes.

VICE CHAIR FIELDS moved to approve the minutes for the December 2, 2024, and December 23, 2024, meetings, as presented. There being no objection, the minutes were approved.

ROLES AND RESPONSIBILITIES: DIVISION SUPPORT FOR THE COMMITTEE

[8:03:58 AM](#)

SENATOR GRAY-JACKSON announced that the next order of business would be a presentation on division support for the committee.

[8:04:25 AM](#)

ALEXEI PAINTER, Director, Legislative Finance Division (LFD), Legislative Agencies and Offices, made introductions and gave an overview of LFD, which consists of six fiscal analysts, two programmers, an administrative officer, and functionally, the House and Senate Finance Committee secretaries. By statute, the division's primary mission is to provide fiscal analysis services to the finance committees. Historically, most of LFD's interaction with Legislative Budget and Audit Committee involves the Revised Program Legislative (RPL) process, which allows the

governor to request increases to appropriation authority for certain items. Effectively, it's an advisory process, as the administration may still proceed with RPLs that the committee does not approve; however, there will be a 45-day wait period before they can take effect. He noted that it's relatively rare for a committee to vote against an RPL, as LFD works with its counterparts in the Office of Management & Budget (OMB) to resolve any technical errors or withdraw the RPL before putting it to a vote. He described the RPL process, explaining that typically, RPLs are submitted to LFD two weeks prior to a Legislative Budget and Audit Committee meeting to give the committee one week to review the division's analysis. In addition to the RPL process, LFD completes studies and prepares reports, memoranda, and other materials, as directed by the committee.

[8:07:35 AM](#)

KRIS CURTIS, Legislative Auditor, Division of Legislative Audit (DLA), made introductions and stated that DLA serves as the state's independent auditor. The division audits the state's financial statements, conducts the annual federal compliance audit, conducts sunset audits - as prescribed by statute, and conducts performance audits at the request of the committee. In addition, DLA also provides fiscal support. She referred to a supporting document [included in the committee packet] that summarized the division's current workload: five performance audits, one financial/federal compliance audit, and five sunset audits. The financial/federal compliance audit takes around 75 to 80 percent of DLA's annual audit hours; however, cost of the financial and federal audits is eligible for federal reimbursement. Each year, the division sends a memo to state departments identifying the eligible audit costs, and each department seeks reimbursement through their federal oversight agency. The audits are conducted in accordance with professional audit standards and the quality control procedures are audited by a national peer review team every three years. She noted that DLA consistently receives the highest peer review rating.

REVISION OF THE LEGISLATIVE BUDGET AND AUDIT COMMITTEE HANDBOOK

[8:09:37 AM](#)

SENATOR GRAY-JACKSON announced that the next order of business would be the revision of the Legislative Budget and Audit Committee handbook.

8:09:44 AM

VICE CHAIR FIELDS moved that the Legislative Budget and Audit Committee adopt the Legislative Budget and Audit Committee Handbook, as presented, with permission granted to the Division of Legislative Audit to make any additional technical or conforming changes.

SENATOR GRAY-JACKSON objected for the purpose of discussion.

8:10:04 AM

MS. CURTIS explained that DLA is responsible for updating the committee handbook, which is available on the Legislative Budget and Audit Committee's website. The handbook houses the committees' formal rules and procedures and includes general information about the committee and its two permanent staff agencies: DLA and LFD. Page 33 of the handbook addresses formal policies and procedures, which guide the committee in how to conduct business. Some of the more significant areas covered include the release of audit reports, approval of audit requests, and general administrative functions, such as contracts and travel. She referenced a memorandum [included in the committee packet] that was distributed to members and outlined the following housekeeping changes to the current version of the handbook:

- Throughout- removed references to "performance reviews" and relevant statutes, which were repealed effective July 1, 2023.
- Updated statutes to reflect amendments.
- Updated the introduction to the Division of Legislative Audit (DLA) section to clarify the types of audits.
- Updated and clarified procedures including:
 - a. Clarified that audits may be delivered via mail and that notices may be electronically delivered.
 - b. Clarified that the annual report is issued by the committee.
 - c. Removed the reference to "standing" committees to clarify that audits and findings may be distributed to any legislative committee as appropriate.
 - d. Updated references to the types of audits

- e. Clarified that audit workpapers are confidential by statute and may only be shared with Legislative Audit personnel or outside auditors if considered appropriate. For example, Legislative Audit may be required to share audit workpapers with federal oversight agencies or peer review committee members to comply with federal laws or auditing standards.
- f. Cleaned up grammar and confusing references.
- g. Updated the language required to be included in each committee contract per guidance from Legislative Legal.

[8:12:55 AM](#)

REPRESENTATIVE JOSEPHSON asked Ms. Curtis to remind the committee of the policy call that deleted the performance review requirement.

MS. CURTIS clarified that the deletion was not a policy call, as the original statutes contained an automatic repeal provision, effective July 1, 2023. She said the idea was to review all state departments over a 10-year period; however, in 2017, the legislature ceased the program's funding. Consequently, each year Ms. Curtis said she had to come before the legislature to request an appropriation for the reviews, and each request since 2017 was denied. In 2023, the provision was automatically repealed.

REPRESENTATIVE JOSEPHSON questioned the impact of removing the performance reviews of state departments.

MS. CURTIS explained that the program was partially intended to quantify savings, which in one instance, generated savings of \$2.2 million for the Department of Health (DOH). Nonetheless, she said she was critical of how the program was used, as the results were not incorporated into the legislative process. She added that she has many ideas on how to improve the program if it were to be revived.

[8:15:18 AM](#)

The committee took a brief at-ease at 8:15 a.m.

[8:15:29 AM](#)

MS. CURTIS called the committee's attention to page 39 of the handbook and clarified the confidential report distribution procedures. She emphasized the importance of legislators and staff taking the necessary precautions to prevent the premature release of audit information until the committee has had the opportunity to approve its release, as statutes make the audit process confidential. She stated that audit reports not approved by the committee should not be copied or distributed for any purpose and concluded by reviewing the confidential release process.

SENATOR GRAY-JACKSON removed her objection. There being no further objection, the Legislative Budget and Audit Committee Handbook was adopted.

EXECUTIVE SESSION

[8:17:40 AM](#)

SENATOR GRAY-JACKSON announced that the next order of business would be executive session.

[8:17:49 AM](#)

VICE CHAIR FIELDS moved that the Legislative Budget and Audit Committee go into executive session under Uniform Rule 22(b)(3) for the discussion of matters that may, by law, be required to be confidential. He asked that the following persons remain in the room or online: Kris Curtis, legislative auditor, and necessary staff; Emily Nauman; any legislators not on the committee; staff of legislators on the committee. There being no objection, it was so ordered.

[8:18:23 AM](#)

The committee took an at-ease from 8:18 a.m. to 8:28 a.m. for the purpose of executive session.

[8:28:54 AM](#)

SENATOR GRAY-JACKSON called the Legislative Budget and Audit Committee meeting back to order at 8:28 a.m. Representatives Josephson, Kopp, Foster, Tilton, and Fields and Senators Stedman, Wielechowski, Giessel, Kawasaki (alternate), and Gray-Jackson were present at the call back to order.

[8:29:25 AM](#)

VICE CHAIR FIELDS moved that the Legislative Budget and Audit Committee approve a contract for federal compliance audit services to CliftonLarsonAllen for an amount not to exceed \$225,000 to be paid from existing funds.

SENATOR GRAY-JACKSON objected for the purpose of discussion.

[8:29:47 AM](#)

MS. CURTIS requested the committee's consideration and approval of a contract for federal compliance audit assistance. She said the division is asking to contract out the federal compliance audit of three major federal programs: Medicaid, Children's Health Insurance Program (CHIP), and the Temporary Assistance for Needy Families (TANF). This assistance is needed to meet the federal audit requirements for an amount not to exceed \$225,000.

SENATOR GRAY-JACKSON removed her objection. There being no further objection, it was so ordered.

[8:30:42 AM](#)

VICE CHAIR FIELDS moved that the Legislative Budget and Audit Committee approve the contract assignment for specialized information technology services from Berry, Dunn, McNeil & Parker, LLC, to BDMP Assurance, LLP, for the duration of the contract and any optional renewal period, and that the Legislative Budget and Audit Committee approve the extension of the contract for an additional amount not to exceed \$175,000, to be paid from existing funds.

SENATOR GRAY-JACKSON objected for the purpose of discussion.

[8:31:16 AM](#)

MS. CURTIS requested the committee's consideration and approval of a contract extension for BerryDunn, the Information Technology contractor that audits the state's accounting and financial reporting systems' internal controls, in support of the annual financial and federal compliance audit. She explained that the company was split in to two companies, so the legal process of assigning the contract to the new entity must be followed.

SENATOR GRAY-JACKSON removed her objection. There being no further objection, it was so ordered.

TOP AUDIT ISSUES

[8:32:04 AM](#)

SENATOR GRAY-JACKSON announced that the final order of business would be an update on top audit issues.

[8:32:24 AM](#)

MS. CURTIS, in providing an update on the fiscal year 2024 (FY 24) top audit issues, referred to a PowerPoint presentation, titled "LB&A Oversight Top Audit Issue" [included in the committee packet]. She discussed the new audit finding oversight process, which was adopted by the committee several years ago to encourage corrective action. The process starts with the Legislative Auditor identifying the top audit issues from the previous fiscal year. The committee then asks state agencies to provide the status of corrective action, which is subsequently presented to the committee for its consideration on forwarding these issues to other legislative committees for continuous monitoring. Ms. Curits recalled presenting the committee with the FY 24 top audit issues in October 2024. She proceeded to summarize the eight FY 24 top audit issues as follows:

1. The first topic relates to the FY 23 financial statement opinion on the Alaska International Airports Fund (AIAS). Since FY 21, AIAS has been unable to produce financial statements for audit in a timely manner.
2. The second issue is new for FY 23. Alaska Aerospace Corporation was unable to provide any financial statement information for inclusion in the state's Annual Comprehensive Financial Report.
3. The third issue is the late FY 23 audit and disclaimed opinion on the Alaska National Guard and Naval Militia retirement system. The outside auditor, KPMG International Limited, was unable to obtain information that was needed to test the actuarial evaluations.

4. The fourth issue is a compilation of significant errors in the FY 23 draft financial statements that, if not identified by auditors and corrected, would have resulted in material misstatements. The draft financial statements were provided to DLA significantly late which led to a delay in issuing the single audit.

5. The fifth audit issue encompasses the struggles faced by DOH's Division of Public Assistance, as well as the material weaknesses in internal controls and material noncompliance identified by DLA.

6. The sixth audit issue is related to shortfalls, which means a department overspent its general fund (GF) authorization. This is tested for every year and in FY 23, there were three departments that routinely failed to address their shortfalls: Department of Law (DOL), Department of Natural Resources (DNR), and DOH.

The final two audit issues come from performance audits.

7. The sunset audit of the Marijuana Control Board found that the board was struggling to issue licenses in a timely manner. The Alcoholic Beverage Control Board was also struggling with timely issuance of licenses. In response, The Alcohol and Marijuana Control Office (AMCO) is implementing a new system to resolve these issues.

8. The final audit issue comes from a performance audit of the Technical and Vocational Education Program (TVEP) that identified seven TVEP beneficiaries had been underpaid in FY 22. This audit made one recommendation to the Department of Labor and Workforce Development (DLWD) to work with OMB to resolve the underpayments.

MS. CURTIS called the committee's attention to a document, titled "FY 24 Top Audit Issues - Corrective Action" [included in the committee packet], which compiled the agencies' status of corrective action. Referring to the "Next Action" column, she made the following recommendations:

- Forward the AIAS audit finding to the House and Senate Transportation Standing Committees' Budget

Subcommittees for consideration during the budget hearing process.

- Forward the Division of Public Assistance audit findings to the Department of Health's Budget subcommittees and the House and Senate Finance Committees for continued legislative monitoring during the budget process.
- Forward the shortfalls for DOL, DNR, and DOH to their respective budget subcommittees for additional consideration.
- Forward the finding regarding AMCO's new licensing and enforcement system to the House and Senate Labor and Commerce Standing Committees for their consideration.

[8:39:16 AM](#)

REPRESENTATIVE FOSTER expressed his appreciation to Ms. Curtis for highlighting public assistance, which is in the worst state he's seen during his 15 years in the legislature.

[8:39:44 AM](#)

REPRESENTATIVE JOSEPHSON sought to confirm that legislators must facilitate contact with the budget subcommittees.

MS. CURTIS said she would work with the chair to help craft the letters to committees.

SENATOR GRAY-JACKSON thanked Ms. Curtis for her presentation.

[8:40:39 AM](#)

ADJOURNMENT

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 8:40 a.m.