

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

July 17, 2014

1:53 p.m.

**MEMBERS PRESENT**

Senator Anna Fairclough, Chair  
Senator Click Bishop (via teleconference)  
Senator Cathy Giessel

Representative Mike Hawker, Vice Chair (via teleconference)  
Representative Kurt Olson  
Representative Andy Josephson

**MEMBERS ABSENT**

Senator Kevin Meyer  
Senator Donald Olson  
Senator Mike Dunleavy (alternate)

Representative Alan Austerman  
Representative Bob Herron  
Representative Scott Kawasaki (alternate)  
Representative Bill Stoltze (alternate)

**COMMITTEE CALENDAR**

APPROVAL OF MINUTES  
EXECUTIVE SESSION  
OTHER COMMITTEE BUSINESS  
AUDIT REQUESTS

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

LAURA PIERRE, Staff  
Senator Anna Fairclough  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Testified during discussion of the contract proposal for the consultants.

KRISTIN CURTIS

Legislative Auditor  
Division of Legislative Audit  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Provided information on the audit requests.

REPRESENTATIVE GERAN TARR  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented a request for an audit of the State of Alaska food purchasing program.

REPRESENTATIVE WES KELLER  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented a request for an audit of the Citizens' Advisory Commission on Federal Areas.

#### **ACTION NARRATIVE**

[1:53:57 PM](#)

**CHAIR ANNA FAIRCLOUGH** called the Legislative Budget and Audit Committee meeting to order at 1:53 p.m. Senators Fairclough, Giessel, and Bishop (via teleconference), and Representatives Hawker (via teleconference), Olson, and Josephson were present at the call to order.

[1:54:10 PM](#)

#### **Approval of Minutes**

[1:54:55 PM](#)

CHAIR FAIRCLOUGH announced that the first order of business would be the approval of the minutes.

SENATOR GIESSEL made a motion to approve the minutes of March 28, 2014. There being no objection, the minutes from the meeting of March 28, 2014 were approved.

#### **Executive Session**

[1:55:31 PM](#)

CHAIR FAIRCLOUGH announced that the committee would move into executive session to discuss confidential committee contracts.

SENATOR GIESSEL made a motion to move to executive session for the purpose of discussing confidential committee contracts under Uniform Rule 22(b)(1) and 22(b)(3). There being no objection, the committee went into executive session at 1:56 p.m.

[2:43:33 PM](#)

CHAIR FAIRCLOUGH brought the committee back to order. Senators Fairclough, Bishop (via teleconference), and Giessel, and Representatives Hawker (via teleconference), Olson, and Josephson were present at the call back to order.

### **Other Committee Business**

[2:44:06 PM](#)

CHAIR FAIRCLOUGH explained that the committee had been discussing the pre-FEED stage of the proposed natural gas pipeline, and that the legislature had expressed an interest in involvement in this discussion. She relayed that the administration had held discussions regarding municipal tax issues with mayors, royalty issues, and marketing aspects for LNG. She declared that, as the legislators desired representation in these discussions, they had requested expansion to the scope of work for representation by the legislature.

[2:44:52 PM](#)

LAURA PIERRE, Staff, Senator Anna Fairclough, Alaska State Legislature, testified that she had asked the current consultants for a proposal to expand the scope of work beyond their current contract and for a proposed monthly retainer fee for the committee to consider versus the current daily rate.

[2:45:33 PM](#)

CHAIR FAIRCLOUGH proposed to expand the consultant contract by \$100,000.

SENATOR GIESSEL moved to amend the contract amount of Janak Mayer from \$250,000 to an amount not to exceed \$350,000 excluding expenses. There being no objection, it was so ordered.

SENATOR GIESSEL moved to amend the contract amount of Nikos Tsafos from \$250,000 to an amount not to exceed \$350,000 excluding expenses. There being no objection, it was so ordered.

CHAIR FAIRCLOUGH pointed out that the contracts should include expenses, and not exclude expenses.

SENATOR GIESSEL withdrew her two motions for the contracts.

SENATOR GIESSEL moved to amend the contract amount of Janak Mayer from \$250,000 to an amount not to exceed \$350,000 including expenses.

[2:47:26 PM](#)

REPRESENTATIVE JOSEPHSON expressed his concern to the knowledge of these expert consultants for payment in lieu of taxes. He asked for an additional expert.

[2:48:00 PM](#)

There being no further objection to the motion, it was so ordered.

[2:48:09 PM](#)

SENATOR GIESSEL moved to amend the contract amount of Nikos Tsafos from \$250,000 to an amount not to exceed \$350,000 including expenses. There being no objection, it was so ordered.

#### **Audit Requests**

[2:48:33 PM](#)

CHAIR FAIRCLOUGH announced that the next order of business would be regarding the performance review audit of the Department of Corrections.

[2:48:40 PM](#)

KRISTIN CURTIS, Legislative Auditor, Division of Legislative Audit, Alaska State Legislature, requested an increase to the performance review contract of the Department of Corrections (DOC) for \$300,000 not to exceed \$325,000. She explained that

this would expand the current performance review to include a focused review of health care service delivery and quality of clinical care. This review would assess the degree to which DOC policies and procedures were in line with industry best practices, and, to the extent possible, recommend specific practices and policies that would improve DOC performance.

2:49:25 PM

REPRESENTATIVE JOSEPHSON asked if the performance reviews were going to be farmed out, whereas other audits, specifically the Knik Arm Bridge and Toll Authority (KABATA) audit, were done internally. He asked which audits would be farmed out.

MS. CURTIS explained that the law stated that performance reviews were to be led by experts and facilitated by the Division of Legislative Audit in securing the experts and helping draft the scope of the work. She said that it was not routine to hire experts for audits.

2:50:44 PM

SENATOR GIESSEL moved to authorize an increase to the Department of Corrections performance review contract amount from \$300,000 to an amount not to exceed \$325,000. There being no objection, it was so ordered.

2:51:10 PM

CHAIR FAIRCLOUGH announced that the next order of business would be for special audit requests.

REPRESENTATIVE HAWKER asked that the request be expedited as his teleconference connection would soon be terminated.

2:51:56 PM

REPRESENTATIVE GERAN TARR, Alaska State Legislature, requested an audit of the Alaska Grown purchasing preference program. She directed attention to a recent review for economic opportunity and food security, as Alaskans annually spend about \$2.5 billion on food, while only 5 percent of the food was grown in-state. She declared that there was only a three to five day supply of food in grocery stores. She questioned whether the purchasing preference program was operating as statutorily intended. She reported that a state agency making food purchases could purchase Alaska Grown products as long as the purchase price was

within 7 percent of the out of state food price. She asked if that was indeed happening, and whether it was necessary to address any barriers. She offered her belief that a stronger food system would increase food security. She noted that, as more food was grown in-state, there was more that we could do.

[2:53:50 PM](#)

SENATOR GIESSEL moved to authorize an audit request of the State Department Compliance with the Alaska Grown purchasing program.

REPRESENTATIVE HAWKER objected, and asked if the legislative auditor had participated in the development of the scope of this audit request.

CHAIR FAIRCLOUGH replied that she had participated.

REPRESENTATIVE HAWKER withdrew his objection.

There being no further objection, it was so ordered.

[2:54:57 PM](#)

REPRESENTATIVE JOSEPHSON asked for the reasons to question this compliance.

REPRESENTATIVE TARR explained that she had been working with the Alaska Food Policy Council, and that its strategic planning sessions for strengthening food systems had identified this as a problem area due to lack of enforcement.

[2:56:42 PM](#)

REPRESENTATIVE WES KELLER, Alaska State Legislature, said that he embraced the concept that boards and commissions were transparent. He expressed his comfort with this being a routine audit request, declaring that it was a benefit to the state to review the way money was being spent on the Citizens' Advisory Commission on Federal Areas.

CHAIR FAIRCLOUGH asked if he had worked with the legislative auditor in the development of the scope of this audit request.

REPRESENTATIVE KELLER replied that he had sent a memo requesting the audit, but had not pursued it further; instead waiting for the opportunity to verbally request it.

2:57:51 PM

MS. CURTIS said that there was not a problem with accepting the audit request, and that she would approach it using standard sunset criteria. She explained that the request verbiage was less important for a commission, as there was a mandate already established in statute.

2:58:29 PM

SENATOR GIESSEL moved to authorize an audit request of the Citizens' Advisory Commission on Federal Areas. There being no objection, it was so ordered.

2:59:22 PM

**ADJOURNMENT**

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 2:59 p.m.