

**2012**

Prepared by the  
Division of  
Legislative Audit

# **DEPARTMENT OF NATURAL RESOURCES**

A Summary of 2010 through 2012 Audit Recommendations



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**Department of Natural Resources  
Alaska Coastal Management Program  
Part 1 and 2**

Audit Control Number  
10-30060A&B-11

**REPORT CONCLUSIONS**

This audit was issued in two separate reports. However, we have combined the reports into one presentation for the departmental summary. The audit conclusions are as follows.

1. Changes to Alaska Coastal Management Program (ACMP) regulations have limited the ability of coastal resource districts to establish enforceable policies, but they are consistent with legislative intent and state law.
2. As intended by the legislature, the Department of Environmental Conservation carveout has excluded air, land, and water quality permit issues from the ACMP review.
3. Determining if the revised statewide standards have limited the State's ability to meet ACMP objectives is subjective and difficult to measure. Many of the changes clarified the standards and eliminated duplicate authorities. However, some federal and state agencies as well as coastal resource districts expressed concern that the less robust habitats standard has lessened the AMCP's ability to achieve some of its objectives. In contrast, the Division of Coastal and Ocean Management believe that while the standards have been modified, the ACMP's objectives can be met through the comprehensive application of state resource agency authorities in addition to the standards. Rather than limit the State's ability, the changes to the standards have facilitated meeting the program's objectives by furthering the interests of the public from a statewide perspective that includes resource development.
4. ACMP changes have not diminished the State's rights under the federal Coastal Zone Management Act.
5. The ACMP is operated openly and transparently in many ways but is lacking in certain aspects.

**Alaska Coastal Management Program**  
*(Continued)*

6. The Department of Natural Resources (department) is an appropriate agency to administer the program. Key components of the program's objectives include: enhancing environment's overall quality, development consistent with the interests of the people, sound conservation and sustained yield, and evaluating all demands on land and water in coastal areas. Nevertheless, the State's three resource agencies, the Departments of Natural Resources, Environmental Conservation, and Fish and Game, all have missions and purposes that are consistent with the ACMP's objective.
7. AMCP changes have centralized decision-making in the department commissioner's office and lessened some of the consensus building aspects among the review participants during the of the program's consistency reviews.
8. The legislature should reauthorize the ACMP. We recommended a four year extension until June 20, 2015.

**Alaska Coastal Management Program**  
*(Continued)*

- **Recommendation A:** The Division of Coastal and Ocean Management should allow coastal resource districts to designate their own representation.

The Division of Coastal and Ocean Management will not distribute review participant materials to a consultant or allow a consultant to be designated by coastal resource districts as a point of contact for consistency reviews. Refusing to allow consultants to be on a consistency review distribution list has resulted in timely information not being available to review the status of a project and provide comments when board member contacts were inaccessible. While the intent of the unwritten policy is to encourage coastal resource district representation in the ACMP, it does not recognize coastal resource districts' autonomy in determining how that representation is best achieved.

- ✓ **Agency Response:** Disagreed.

The department stated that it did not support this recommendation.

- ❖ **Current Status:**

The program was sunset on June 30, 2011

**Alaska Coastal Management Program**  
*(Continued)*

- **Recommendation B:** The department should complete the ABC List<sup>1</sup> revision and program reevaluation it began years ago.

Completion of the ABC List revision is three years past the deadline set out in Ch. 31, SLA 05. While the department has directed resources toward both initiatives, neither process has been completed.

- ✓ **Agency Response:** Agreed.

The department stated that it intended to initiate the formal public review and comment process for the consistency review regulations at 11 AAC 110. The ABC List revision process would proceed concurrent with the 11 AAC 110 regulation revisions.

- ❖ **Current Status:**

The program was sunset on June 30, 2011.

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<sup>1</sup> The ABC list is the classification of the level state agency approval needed for certain activity. For example activities classified as "A" activities are deemed categorically consistent with the program and would not require a consistency review determination.

**Department of Natural Resources  
Alaska Seismic Hazards  
Safety Commission**

Audit Control Number  
10-20072-11

**REPORT CONCLUSION**

Overall, we found the Alaska Seismic Hazards Safety Commission (commission) is operating in the public's interest. The commission has gathered and disseminated information; facilitated discussions and partnerships with various members of state, local, and federal government as well as private entities concerning seismic hazards and risk mitigation; encouraged efforts to address seismic risk mitigation; and brought attention to seismic hazards. Therefore, we recommend that the legislature extend the commission termination date until June 30, 2016.

## Seismic Hazards (Continued)

- **Recommendation A:** The commission should develop a strategic plan to guide its efforts to mitigate seismic hazard risk in Alaska.

The commission lacks a clear strategy for prioritizing and monitoring its efforts which has limited its effectiveness and efficiency in providing guidance to decision makers addressing seismic hazard risks in the State. Over the past six years, the commission has been active in gathering and disseminating information, facilitating discussions, and forming partnerships with various organizations. While these efforts are important toward achieving some of its statutory objectives, there are few deliverable or measurable effects of its efforts to reduce seismic hazards risk.

- ✓ **Agency Response:** Agreed.

According to the department, the commission chair was committed to completing and adopting a plan by November 15, 2011.

### ❖ Current Status

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## Seismic Hazards (Continued)

- **Recommendation B:** The commission should ensure it provides reasonable public notice of all of its meetings.

Since October 2005, there have been 51 commission meetings. Fourteen of the 51 meetings did not provide reasonable advance public notice. Furthermore, three of the 14 were not posted to the Alaska Public Notice System. Public notice of commission meetings ranged anywhere from two to 52 days.

- ✓ **Agency Response:** Agreed.

According to the department, the Division of Geological and Geophysical Surveys posts the public notices on behalf of the commission, and it would ensure that public notices would issued at least seven days prior to the meetings.

❖ **Current Status**

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**Seismic Hazards  
(Continued)**

- **Recommendation C:** The commission should recommend replacement of its members in a timely manner.

The commission did not follow its rules of procedure requiring its members with three or more consecutive unexcused absences to be immediately recommended for replacement. Since April 2010, one commission member has not attended any of the 10 commission meetings or participated in commission activities.

- ✓ **Agency Response:** Agreed.

The department stated that it implemented this recommendation and would strictly adhere to it.

❖ **Current Status**

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## Seismic Hazards (Continued)

- **Recommendation D:** The Office of the Governor and the commission should work to fill appointments to all commission seats in a timely manner.

The commission is composed of 11 members who are a cross section of government and private sector representatives including three local government members from seismically active regions of the State. During FY 10, one local government seat was vacant over nine months. Alaska Statute 44.37.065(c) requires the governor to appoint both government and private commission seats. According to the Office of the Governor, the vacancy was due to an insufficient applicant pool.

In 2006, the legislature underscored the importance of diverse local government representation in the commission when it added two additional local government seats. During the extended vacancy, the commission was unable to operate at full capacity or benefit from the input of the eleventh member representing a local government.

- ✓ **Agency Response:** Agreed.

The department stated that it would work with the commission and the Office of the Governor to immediately fill appointments.

### ❖ **Current Status**

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**State of Alaska  
Single Audit  
for the  
Fiscal Year Ended  
June 30, 2011**

*Department of Natural Resources*

Audit Control Number  
02-40012-12

There are two primary objectives for the State of Alaska Single Audit for the Fiscal Year Ended June 30, 2011 (Statewide Single Audit). The first is to determine if the financial statements of the State of Alaska are fairly presented in accordance with generally accepted accounting principles. The second is to determine if the State has materially complied with the various federal laws, regulations, and contract provisions in the expending of federal financial assistance.

The Department of Natural Resources (department) had no recommendations in the most recently issued Statewide Single Audit.

**Department of Natural Resources, University of Alaska, and Department of Commerce, Community,  
and Economic Development,  
Virus Free Seed Potato Project**

Audit Control Number  
10-30064-12

**REPORT CONCLUSION**

This audit concludes that no significant monetary or non-monetary returns are being received by the State or private entities as a result of certifying seed potatoes for international export. The export market is stagnant, the number of acres used to grow seed potatoes is not large and the acreage has not increased. Furthermore, seed potato exports have not provided a positive return in terms of regulation costs compared to revenue generated by export sales. These factors are not expected to change. Consequently, the continued use of state resources to certify seed potatoes for international export will act as a subsidy for seed potato farmers.

The report conclusions, as they relate to export certifications, should not be interpreted as negating the necessity for state certification. Inspections and certifications of seed potatoes have been conducted by the State since the mid-1960s to reduce the risk of disease. This audit does not conclude that continued state certification of seed potatoes is unwarranted or unnecessary.

Whether or not regulation of seed potato crops is an essential state service is subjective and depends on the definition of essential. Diseased seed potatoes may create significant economic losses for producers; however, they do not result in illness or loss of human life. The agriculture industry views the inspection and certification process as essential to the success of the industry.

Detailed conclusions regarding seed project funding, expenditures, administration, and monetary and non-monetary returns are listed below.

- A total of \$5.5 million in state and federal funds have been appropriated for the seed project from FY 95 through December 2011. Of the total, \$3.4 million (62 percent) were state funds and \$2.1 million (38 percent) were federal funds.

**Virus Free Seed Potato Project**  
**(Continued)**

- Seed project expenditures totaling \$3.4 million from FY05 through December 2011 were reasonable and necessary to carry out the purpose of the project. Expenditure activity includes state certification and export certification costs.
- The only significant UA facility used for the seed project has been the Plant Pathology and Biotechnology Laboratory. UA charged indirect cost rates as part of seed project grants and agreements.
- The seed project has resulted in minimal monetary returns to the State and private enterprises.
- Non-monetary returns associated with the seed project include expanding Alaska's international market relations and expanding the knowledge base of seed potato diseases. Both of these non-monetary returns may yield benefits to the State of Alaska over the long term.
- Export certification funding has provided a subsidy to growers. Without significant changes, future state funding for export certification will continue to be a subsidy to potato growers.

There were no findings or recommendations for the virus free seed potato project audit.