

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

March 28, 2013

5:39 p.m.

MEMBERS PRESENT

Senator Anna Fairclough, Chair
Senator Kevin Meyer
Senator Cathy Giessel

Representative Mike Hawker, Vice Chair
Representative Bob Herron
Representative Andy Josephson

MEMBERS ABSENT

Senator Click Bishop
Senator Donald Olson
Senator Mike Dunleavy (alternate)

Representative Alan Austerman
Representative Kurt Olson
Representative Scott Kawasaki (alternate)
Representative Bill Stoltze (alternate)

COMMITTEE CALENDAR

APPROVAL OF MINUTES
EXECUTIVE SESSION
RELEASE OF AUDITS
OTHER BUSINESS
AUDIT REQUEST

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

REPRESENTATIVE SHELLY HUGHES
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented a request for an audit of the regional economic assistance program in the Department of Commerce, Community & Economic Development.

KRISTIN CURTIS
Legislative Auditor
Legislative Audit Division
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided information on the audit request.

ACTION NARRATIVE

[5:39:20 PM](#)

CHAIR ANNA FAIRCLOUGH called the Legislative Budget and Audit Committee meeting to order at 5:39 p.m. Representatives Herron, Josephson, and Hawker, and Senators Fairclough, Giessel, and Meyer were present at the call to order.

Approval of Minutes

[5:40:12 PM](#)

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

REPRESENTATIVE Hawker made a motion to approve the minutes of March 11, 2013. There being no objection, the minutes from the meeting of March 11, 2013 were approved.

Executive Session

[5:40:45 PM](#)

CHAIR FAIRCLOUGH announced that the next order of business would be to move into Executive Session.

[5:40:51 PM](#)

REPRESENTATIVE HAWKER made a motion to move to Executive Session for the purpose of discussing confidential audit reports under AS 24.20.301. There being no objection, the committee went into executive session at 5:41 p.m.

[5:41:04 PM](#)

The committee took an at-ease from 5:41 p.m. to 5:57 p.m.

[5:57:05 PM](#)

CHAIR FAIRCLOUGH brought the committee back to order at 5:57 p.m. Representatives Herron, Josephson, and Hawker, and Senators Fairclough, Giessel, and Meyer were present at the call back to order.

Release of Audits

[5:57:15 PM](#)

CHAIR FAIRCLOUGH announced that the next order of business would be the release of audits.

REPRESENTATIVE HAWKER made a motion for the final audit for the State of Alaska Single Audit for the Fiscal Year ended June 30, 2012 to be released to the public for response. There being no objection, it was so ordered.

Other Business

[5:57:30 PM](#)

CHAIR FAIRCLOUGH expressed her intention to schedule a Legislative Budget and Audit Committee meeting later in the summer, or early fall, to discuss the higher level recommendations by the Legislative Audit Division in the aforementioned audit, and to ask each department to testify to the committee as to the implementation of these recommendations.

[5:58:02 PM](#)

REPRESENTATIVE HAWKER commended the efforts of the auditors, and endorsed the recommendation by Chair Fairclough for a follow up with the departments.

Audit Request

[5:58:38 PM](#)

CHAIR FAIRCLOUGH announced that the final order of business would be an audit request by Representative Hughes of the regional economic assistance program in the Department of Commerce, Community & Economic Development (DCCED). [Included in members' packets]

[5:58:50 PM](#)

REPRESENTATIVE SHELLY HUGHES, Alaska State Legislature, noted that, as the committee was already aware of the Alaska Regional Development Organizations (ARDOR), she would simply explain her reasons for the audit request of the program. She affirmed that ARDOR was generally a good program, but expressed her concern for the role of the state with support and assistance to the program. She had recently been made aware that the program, established in 1988, had never been audited. She pointed out that its current annual fiscal note was about \$800,000, which accounted for millions of dollars spent on the program over the years. She referred to her written request, which listed her concerns. In addition, she noted that two other items had a "healthy discussion" on the floor of the House. She reported that the re-authorization for the program had been shortened to three years, with the knowledge that the audit request was going to be presented to the committee. She pointed out that a report from the DCCED on the statewide and regional economic strategies and projects was now required, as well. She declared that the requested audit was also important. Referring to discussions from the House Finance Committee and the House floor, she asked that the salaries of the ARDOR directors and staff be reviewed, and that the role of DCCED be further defined to "be proactive in their assistance to ARDORs in finding additional program dollars as well as advancing projects."

6:02:40 PM

CHAIR FAIRCLOUGH clarified that these additional requests needed to be in writing in order to appropriately capture the requests and ensure they were an auditable function.

KRISTIN CURTIS, Legislative Auditor, Legislative Audit Division, Alaska State Legislature, reported that committee members had previously added to an audit request as it was being discussed, so that both the notes and the committee minutes would be sufficient to incorporate these additional requests into the audit.

6:03:16 PM

REPRESENTATIVE JOSEPHSON offered his belief that this audit would report the effectiveness of the programs. He expressed his assumption that the auditor would detail other sources for the ARDOR directors' salaries, which would be beyond the purview of the legislature. He asked Representative Hawker to clarify why there had not been a previous audit of ARDOR.

6:04:13 PM

MS. CURTIS, in response to Representative Josephson, explained that sunset audits were required by statute, as there was a termination date in the statute. She noted that other agencies, although set up by the Legislature to be subject to termination, did not contain a requirement for audit. She clarified that ARDOR had a sunset provision but did not have an audit requirement.

6:05:00 PM

REPRESENTATIVE HAWKER extolled that this was the reason for state auditors.

REPRESENTATIVE JOSEPHSON asked Ms. Curtis if this had been "a little capricious," and was there any reasoning for some programs to require an audit, while others did not.

MS. CURTIS replied, "I never question what the Legislature did," and that she never questioned its wisdom.

REPRESENTATIVE HAWKER stated that this was a question of policy for the legislators. He offered "his personal perspective" that these were policy calls made by the Legislature over time. He declared that it was desirous to have a sunset clause for some agencies, and he referred to a statute for agencies subject to sunset audits, as many of them held custodial funds for regulated groups. He noted that many of the state boards, which were another level of regulation over a profession or an industry, needed to also operate in accordance with state statutes in an effective, efficient manner with appropriate levels of funding. He pointed out that, as this internal state agency was a part of the recurring budget process, it would not normally fall into the statutory requirement for a complete sunset audit.

6:06:58 PM

REPRESENTATIVE HERRON reported that the House Special Committee on Economic Development, International Trade and Tourism had had a discussion with the ARDOR directors, and he expressed his concern with the underperformance of some of those directors. He noted that consolidation for some of the ARDOR regions had also been discussed. He emphasized that there were also some outstanding role models among the ARDOR directors, as well.

6:07:42 PM

CHAIR FAIRCLOUGH asked Ms. Curtis if this audit could be accommodated in the existing schedule.

6:08:07 PM

MS. CURTIS, in response, said Legislative Audit Division would not be able to accomplish the audit prior to the next legislative session, but would be able to complete the audit prior to its sunset in three years.

CHAIR FAIRCLOUGH pointed out that the majority of the immediate auditor time would be invested in the just released State of Alaska Single Audit.

6:08:47 PM

SENATOR MEYER applauded the audit request, as he had also questioned the ARDOR program.

6:09:01 PM

REPRESENTATIVE HAWKER made a motion to approve the audit request for the regional economic assistance program in the Department of Commerce, Community & Economic Development. There being no objection, it was so ordered.

6:09:20 PM

ADJOURNMENT

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 6:09 p.m.