

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



P.O. Box 113300
Juneau, AK 99811-3300
(907) 465-3830
FAX (907) 465-2347
legaudit@akleg.gov

MEMORANDUM

TO: Members of the Legislative Budget and Audit Committee

FROM: Kris Curtis, CPA, CISA *KC*
Legislative Auditor

DATE: October 22, 2019

RE: Tustumena Audit Request

During the October 31, 2019, Legislative Budget and Audit meeting, I will be asking for guidance regarding the Tustumena audit request, which was approved by the committee on February 25, 2014. Specifically, I will be asking whether committee members want Legislative Audit to expend resources to address the request or whether the audit request should be terminated. A copy of the audit request is attached to this memo.

Background

The M/V Tustumena began its 2012 annual refurbishment and overhaul in October 2012. Completion of the project was delayed and the vessel did not return to service for over a year. As a result, ferry service to/from many Alaskan communities was disrupted. Representative Austerman requested an audit to examine the Department of Transportation and Public Facilities' management of the project (see attached audit request).

The committee considered the audit request with the knowledge that the State and the contractor would likely enter into litigation. Generally, at issue was the contractor's substandard workmanship, requiring repairs which extended the contract deadline for completion from June to October 2013. The State assessed fines on the contractor who performed the refurbishment and overhaul due to non-performance. The contractor disputed the non-performance fines and asked for additional compensation due to the high number of change orders. The Legislative Budget and Audit Committee approved the audit request with the knowledge that it would not begin until related litigation was completed.

The State and the contractor settled the litigation in January 2017. The audit did not proceed after the litigation ended due to competing priorities, mainly the lack of audit resources due to the implementation of the State's new accounting system.

Continue Audit, Alter Audit Request, or Terminate Audit

Given that over five years have passed since the request was approved, I would like confirmation from the committee that we should move forward with the audit. I would also like to give the committee an opportunity to alter the audit request to ensure the request addresses the committee's current concerns.

Enclosure



Representative Alan Austerman

Alaska State Legislature

Session:

State Capitol
Juneau, Alaska 99801
(907) 465-2487 | (800) 865-2487
(907) 465-4956 (fax)

Interim:

305 Center Ave, Suite 1
Kodiak, Alaska 99615
(907) 486-8872
(907) 486-5264 (fax)

February 12, 2014

Dear Chair Fairclough,

There is great public concern over the Department of Transportation and Public Facilities' management of the M/V Tustumena refurbishment and overhaul. The project began in October 2012. Completion of the project was delayed and the vessel did not return to service for over a year. As a result, ferry service to/from many Alaskan communities was disrupted.

In recognition of the vital role the Alaska Marine Highway System plays in connecting the communities of Alaska, I respectfully request an audit of the project's management by the Department of Transportation and Public Facilities. Specifically, I request the auditors to:

- Determine whether the contract award to the Seward Shipyard complied with federal and state procurement laws and was in the State's best interest.
- Determine if technical specifications that supported the bid documents were adequate to allow for the procurement of the expertise necessary to fully address the refurbishment/overhaul.
- Evaluate management of the M/V Tustumena refurbishment/overhaul by DOTPF from start to finish. Determine if the project was efficiently managed in order to achieve the project in the most cost effective and time sensitive manner

Thank you for your time and consideration.

Sincerely,

A handwritten signature in cursive script that reads "Alan".

Alan Austerman
House District 35

~ **Representing Alaska State House District 35** ~

Akhiok | Aleneva | Chenega | Cordova | Karluk | Kodiak | Larsen Bay
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AUDIT REQUEST ADDENDUM

At its February 25, 2014, meeting, the Legislative Budget and Audit Committee authorized adding the following objective to the request for an audit of the Department Transportation and Public Facilities' M/V Tustemena refurbishment and overhaul.

- Include any other matter that, in the judgment of the legislative auditor, should be brought to the attention of the Legislative Budget and Audit Committee and the legislature.