

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

April 4, 2006

5:38 p.m.

**MEMBERS PRESENT**

Senator Gene Therriault, Chair  
Senator Ben Stevens  
Senator Bert Stedman  
Senator Lyda Green  
Senator Gary Wilken (alternate)

Representative Ralph Samuels, Vice Chair  
Representative Mike Chenault  
Representative Mike Hawker  
Representative Pete Kott  
Representative Beth Kerttula  
Representative Kevin Meyer (alternate)

**MEMBERS ABSENT**

Senator Lyman Hoffman  
Representative Reggie Joule (alternate)

**OTHER LEGISLATORS PRESENT**

Senator Con Bunde  
Senator Ralph Seekins

**COMMITTEE CALENDAR**

APPROVAL OF MINUTES  
AUDIT REQUESTS  
EXECUTIVE SESSION  
RELEASE OF FINAL AUDITS

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

PAT DAVIDSON, Legislative Auditor  
Legislative Audit Division  
Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Answered questions regarding audits.

SENATOR CON BUNDE

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Explained the need for the Department of Administration, Procurement Process audit.

#### **ACTION NARRATIVE**

**CHAIR GENE THERRIault** called the Legislative Budget and Audit Committee meeting to order at [5:38:57 PM](#). Members present were Senators Stedman, Green, Ben Stevens, Wilken (alternate), and Therriault, and Representatives Kott and Samuels. Representatives Kerttula, Chenault, Hawker, and Meyer (alternate) arrived as the meeting was in progress. Also in attendance were Senators Seekins and Bunde.

#### **APPROVAL OF MINUTES**

[5:39:37 PM](#)

REPRESENTATIVE SAMUELS made a motion to approve the minutes of the January 12, 2006 and January 30, 2006 meetings. There being no objection, the minutes from the meetings of January 12, 2006 and January 30, 2006 were approved.

[5:39:48 PM](#)

#### **AUDIT REQUESTS**

[5:40:18 PM](#)

PAT DAVIDSON, Legislative Auditor, Legislative Audit Division, Alaska State Legislature, began by explaining that the first audit request was submitted by Representative Mike Chenault and would expand the pre-existing audit of the Alaska Aerospace Development Corporation (AADC). The new request, she said, requests a financial analysis to determine whether the AADC has funds available to pay a dividend to the state. It would also examine spending practices within the AADC.

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MS. DAVIDSON, in response to questions, said that she has spoken with Representative Chenault's staff regarding the aforementioned request.

CHAIR THERRIAULT commented that it makes sense to include this request in the original audit request. He asked if Ms. Davidson has helped to shape the questions in the request in order to clearly show the intent of the audit.

[5:42:06 PM](#)

MS. DAVIDSON replied that the audit request clearly identifies the issues in question.

CHAIR THERRIAULT, upon determining there were no further questions or objections, announced that the expanded audit request was approved.

[5:42:26 PM](#)

MS. DAVIDSON stated that the second audit request was submitted by Representative Seaton. This request is a follow-up audit of the Department of Environmental Conservation - Village Safe Water Program. This audit would also include an examination of criteria used to evaluate product applications, adequacy of communications between the department and the community, and funding for departmental administrative costs.

[5:43:05 PM](#)

MS. DAVIDSON, in response to questions, explained that the division issued a report in 2003 that identified problems within the [Village Safe Water Program]. Two follow-up audits have been done by the Environmental Protection Agency (EPA). The [EPA], she said, had been conducting its own review of its Region 10 programs to ensure that program goals were being met and that the department had adequate oversight of the programs. The release of the division's audits increased the EPA's concern, thereby increasing the audit efforts.

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CHAIR THERRIAULT asked if there was any objection to approving the Department of Environmental Conservation - Village Safe Water Program audit request. Hearing none, the aforementioned audit request was approved.

MS. DAVIDSON stated that the final audit request was the Department of Administration, Procurement Process audit submitted by Senator Con Bunde, which would review procurements that occurred within the Department of Administration (DOA) over the past two years. The intent of this audit is to identify any errors in the procurement process, in addition to identifying the effects these errors may have had on the outcome of the procurement.

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CHAIR THERRIault acknowledged that there has been concern regarding the current procurement process.

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SENATOR CON BUNDE, Alaska State Legislature, pointed out that the [Premera Blue Cross procurement] involved over \$30 million, and opined that it was "carelessly, if not incompetently done." He said "if this is what they're doing at \$30 million, what are they doing at \$3 million?" He expressed concern as to whether the [Premera Blue Cross]/AETNA contract change was "erroneously awarded." If so, he said, [the state] will go through "a lot of upheaval" to change insurance carriers which may need to be changed back in the future. In conclusion, he said, he has requested that the audit be expedited, in order to uncover any errors that may be reversed "sooner, [rather than] later."

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REPRESENTATIVE HAWKER said that he has received allegations of improprieties regarding a different procurement, which caused him to contemplate requesting an audit. He expressed his hope that the current audit would not only look at the procurement specified by the requestor, but look at the process in its entirety.

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CHAIR THERRIault pointed out that paragraph 2 of the audit request specifies interest in how often errors occur in the current procurement process. He confirmed that the audit would be "global," and would not be specific to one request for proposals (RFP) process.

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MS. DAVIDSON noted that the audit parameters are set to RFPs by DOA over a two-year period. She pointed out that if the concerns in question are regarding the actions of a different department, these concerns would not be included in the scope of the audit request. She suggested that, if necessary, the committee amend the scope of the audit to include all departments over a two-year period.

[5:48:13 PM](#)

REPRESENTATIVE HAWKER said that the procurement in question was done by the DOA.

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CHAIR THERRIAULT noted that if members had any concerns regarding other departments prior to the start of the audit, it may be modified to include additional departments.

MS. DAVIDSON agreed.

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CHAIR THERRIAULT, in regard to expediting this audit request, inquired as to which audits are currently in the process.

MS. DAVIDSON replied that the division prioritizes the financial and sunset audits according to statutory deadlines. After this, she said, audits requested and approved by the Legislative Budget and Audit Committee are taken up. The division, she said, is "seeing the light at the end of the tunnel." Currently, the Alaska Aerospace Development Corporation (AADC) audit is scheduled to begin in May/June of 2006. The Village Safe Water Project audit will be assigned to the division's Anchorage office and is expected to begin mid-summer 2006.

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MS. DAVIDSON went on to say that expediting Senator Bunde's audit request would displace the Department of Corrections-Jail Bed Rate audit. This displacement would most likely be approximately two to three months.

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CHAIR THERRIAULT asked if there were any questions regarding the audit request. Hearing none, he asked if there was any

objection to the Department of Administration, Procurement Process audit request. There being no objection, the aforementioned audit request was approved.

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MS. DAVIDSON, in regard to expediting the audit, stated that if expedited, the Department of Administration, Procurement Process audit would be expected to begin early to mid-May 2006.

CHAIR THERRIAULT asked if there were any questions regarding the advisability of expediting the audit.

[5:51:29 PM](#)

SENATOR GREEN asked if expediting the audit fulfills the intent of the requestor, as any results would not be taken up until the next legislative session.

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SENATOR BUNDE replied that he did not foresee the information being returned during the current legislative session; however, the [Premera Blue Cross] conversion is scheduled to occur in July of 2006. He stated that it would be beneficial to obtain the information prior to this.

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CHAIR THERRIAULT asked if there was objection to expediting the audit request. There being no objection, the audit request was expedited.

#### **EXECUTIVE SESSION**

[Not on the recording, but reconstructed from the committee secretary's log notes, was the following motion.]

REPRESENTATIVE SAMUELS 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 [5:52:25 PM](#).

CHAIR THERRIAULT brought the committee back to order at [6:07:01 PM](#).

[6:07:15 PM](#)

## **RELEASE OF FINAL AUDITS**

REPRESENTATIVE SAMUELS made a motion for the preliminary audit for the Department of Administration, PERS/TRS/ASPIB Selected Issues to be released to the appropriate agency for response.

CHAIR THERRIAULT, hearing no objection, released the audit to the agency for response.

REPRESENTATIVE SAMUELS moved to release the following final audit reports to the public: Department of Administration, State Travel Office; University of Alaska, Travel.

CHAIR THERRIAULT, hearing no objection, released the aforementioned audits to the public.

[6:07:33 PM](#)

## **ADJOURNMENT**

There being no further business before the committee, the Legislative Budget & Audit Committee meeting was adjourned at 6:07 PM.