

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

Anchorage, Alaska

June 5, 2007

8:04 a.m.

**MEMBERS PRESENT**

Representative Ralph Samuels, Chair  
Senator Lyman Hoffman, Vice Chair (via teleconference)  
Representative Mike Chenault (via teleconference)  
Representative Mike Hawker  
Representative Mike Kelly (via teleconference)  
Representative Mike Doogan  
Senator Bert Stedman (via teleconference)  
Senator Johnny Ellis (via teleconference)  
Representative Reggie Joule (alternate) (via teleconference)  
Representative Kevin Meyer (alternate)

**MEMBERS ABSENT**

Senator Lyda Green  
Senator Gene Therriault  
Senator Charlie Huggins

**COMMITTEE CALENDAR**

APPROVAL OF MINUTES  
EXECUTIVE SESSION  
RELEASE OF AUDITS  
OTHER COMMITTEE BUSINESS

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

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

POSITION STATEMENT: Provided information regarding the division's request to purchase audit software and associated hardware.

**ACTION NARRATIVE**

**CHAIR RALPH SAMUELS** called the Legislative Budget and Audit Committee meeting to order at 8:04:29 AM. Representatives Doogan, Chenault (via teleconference), Hawker, Kelly (via teleconference), Meyer (alternate), Joule (alternate) (via teleconference), and Samuels, and Senators Hoffman (via teleconference), Stedman (via teleconference), and Ellis (via teleconference) were present at the call to order.

#### **APPROVAL OF MINUTES**

8:05:18 AM

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

REPRESENTATIVE DOOGAN made a motion to approve the minutes of April 26, 2007. There being no objection, the minutes from the meeting of April 26, 2007, were approved.

#### **EXECUTIVE SESSION**

8:05:39 AM

REPRESENTATIVE DOOGAN 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 8:05 a.m.

CHAIR SAMUELS brought the committee back to order at approximately 9:31 a.m.

#### **RELEASE OF AUDITS**

[Not on the recording, but relayed by the committee aide was the motion by Representative Doogan to release to the public the special report on the Use of Recidivism Rates by State Agencies, Overview of Current Practices; the special report on the Use of Recidivism Rates by State Agencies, Recidivism Rates for the Alcohol Safety Action Program; and the special report on the Use of Recidivism Rates by State Agencies, Recidivism Rates for Sex Offenders. This motion passed without objection.]

[Not on the recording, but relayed by the committee aide was the motion by Representative Doogan to release to the departments for response the following preliminary audit reports: the FY 06

Statewide Single Audit, and the Special Report on the Alaska Aerospace Development Corporation.]

[9:33:06 AM](#)

CHAIR SAMUELS indicated that the motion to release to [the departments] the aforementioned preliminary audit reports was approved. He remarked that the preliminary audit report regarding [the special report on the Department of Corrections, Community Jail Program,] would not be taken up at this time.

**OTHER COMMITTEE BUSINESS**

[9:33:15 AM](#)

CHAIR SAMUELS announced that the final order of business pertained to a procurement issue [brought forth by the Division of Legislative Audit].

[9:33:27 AM](#)

PAT DAVIDSON, Legislative Auditor, Division of Legislative Audit, Alaska State Legislature, said she is requesting approval by the committee to acquire audit software and the accompanying hardware for the division. She referred to her memorandum to the committee dated 5/8/07, and noted that it "asked that it be a sole source purchase"; however, since that time, vendors have responded, thereby producing a competitive environment. She asked, therefore, that the committee authorize the Division of Legislative Audit to solicit and award a contract for software - an automated, workpapers software package - in an amount not to exceed \$85,000, and authorize the division to purchase - in an amount not to exceed \$40,000 - the necessary hardware to implement that software package.

REPRESENTATIVE HAWKER asked what platform the software will run on.

MS. DAVIDSON relayed that some such software runs on an "Oracle" platform and one runs on a Microsoft platform; until the division selects the package it wants, it won't know what hardware will be needed. She estimated that the division will have to purchase one, possibly two, servers for the Juneau and Anchorage offices.

REPRESENTATIVE HAWKER surmised that the division may decide not to choose the product referred to in the aforementioned memorandum.

MS. DAVIDSON concurred, adding that for any solicitation over the amount of \$50,000, the division is required to "go out for solicitation," which is what the division will do, now that she knows that there is more than one vendor available.

REPRESENTATIVE HAWKER asked what the ongoing maintenance and service contracts will amount to.

MS. DAVIDSON said the various products have a wide range of costs - from \$16,000 per year to over \$80,000 per year; this will be one of the factors the division considers when looking at the price component of the software.

REPRESENTATIVE HAWKER questioned whether the committee intends to provide the division with the authority to just go get what it needs, or whether the committee intends to revisit the issue before granting final approval.

CHAIR SAMUELS asked how long it will take to get responses back once the bid is put out.

[9:37:57 AM](#)

MS. DAVIDSON said one of the division's audit managers and its information technology (IT) network have been working on technical aspects such as what licenses will be required for the server and its platform. It may be two to three weeks to develop the request for proposal (RFP), and it would have to "be out" for a minimum of 21 days; afterwards there will be a 10-day protest period. The division is envisioning implementing the software for the fiscal year 2008 (FY 08) statewide financial audit, and so the division would want to be done with the procurement process as well as the establishment of the libraries by February. She asked whether the committee would like to see the RFP before it goes out.

REPRESENTATIVE HAWKER said he is merely questioning whether the committee wishes to revisit this issue or just give the division carte blanche authority without first considering the options or the evaluation of the alternative proposals. He expressed disfavor with the concept of using an "Oracle" platform, and questioned how compatible the software that's chosen will be with existing state systems.

MS. DAVIDSON indicated that either approach by the committee is fine with her. She mentioned, however, that having to come back before the committee to request licensing approval every year is not something that she really wants to do nor would it be a prudent thing to do. When looking at the cost components of a system, therefore, the division must consider not only the licenses for the audit software but also the ongoing license costs for the server requirements. Again, should the committee wish to review the RFP prior to it going out, that would be fine.

MS. DAVIDSON, in response to questions, explained that the division has the authority to make purchases under \$25,000; that committee approval is required for procurement in excess of \$25,000; and that for a purchase in excess of \$50,000 there must be a formal solicitation if there are multiple vendors. The latter situation applies in this instance. In response to a further question, she said the division's budget is part of the entire legislative process; the division has funds in its FY 08 budget to "pay for this"; and this request was not separately identified as a particular project.

REPRESENTATIVE MEYER, too, expressed disfavor with an "Oracle" platform. He said he would be interested in knowing what the long-term costs will be with regard to maintenance and upgrades, and in knowing whether there will be local technical support for whichever platform is chosen.

[9:45:45 AM](#)

MS. DAVIDSON said the audit software packages that the division will be considering are provided by national firms. The division has contacted other states' audit organizations, and most use the vendor identified in her memorandum and have used its product successfully, though Minnesota's audit office "is more cutting edge" than most other states' audit offices with regard to technology and so it chose to go with a higher-priced product. She indicated that the RFP the division puts out will have a training component. In response to a question, she said that the division's IT support person will be able to understand a lot of the product that is chosen and so will be able to work with the vendor's technical representative to take care of the technical side of things.

MS. DAVIDSON, in response to a question, reiterated that the division is asking the committee for approval to solicit and

award based on the criteria and evaluation; that award is limited to \$85,000 for the software and \$40,000 for the associated hardware.

CHAIR SAMUELS remarked that if the motion is simply to solicit, the division could develop the RFP, put it out, and then the committee could meet to review the results.

MS. DAVIDSON concurred.

CHAIR SAMUELS asked whether an additional motion to purchase hardware is necessary at this meeting.

MS. DAVIDSON said such a motion would not be needed until the award for purchasing the software is made.

CHAIR SAMUELS surmised, then, that the motion would be to authorize the Division of Legislative Audit to solicit automated audit software in an amount not to exceed \$85,000.

MS. DAVIDSON concurred.

CHAIR SAMUELS explained that the committee would be provided with a copy of the RFP, and would then be given an opportunity to meet and review the bids that resulted from it.

[9:51:18 AM](#)

REPRESENTATIVE HAWKER suggested that the motion not include a specific monetary amount in case the product most suited to the division's needs exceeds \$85,000; the division would then solicit the purchase of automated audit software, related hardware, implementation, and maintenance, and then bring a recommendation back to the committee for final approval.

REPRESENTATIVE KELLY agreed with that suggestion.

MS. DAVIDSON explained that the concept of audit software is to provide efficiencies for audits. Automated audit software has been around for a very long time, but until recently, she remarked, she was not convinced that such software would result in efficiencies sufficient to offset the cost of the software; she is now willing to acknowledge that for the amount of money the division is requesting, even 10 percent of estimated efficiencies will offset the cost of the product. She remarked that many automated audit software packages offer a variety of tools, some of which the division may not need, and so by having

a dollar limit included in the motion, it will ensure that offers from vendors will suit the needs of the division. She suggested that without a price limitation, the division won't get the best price for the product the division needs without vendors including additional layers of unnecessary functionality in the price they offer.

REPRESENTATIVE DOOGAN questioned whether the division's basic needs could be outlined in the RFP.

MS. DAVIDSON said the division is looking to do just that, but without a price limitation, there will be fewer factors that can be used to identify the quality of the software.

[9:58:52 AM](#)

REPRESENTATIVE DOOGAN said it appears that there are substantial cost considerations beyond the initial purchase price, and asked whether \$85,000 would cover all of those.

MS. DAVIDSON said that amount would cover the initial purchase price, and then the division would add in ongoing licensing fees to the price component of the RFP.

REPRESENTATIVE DOOGAN remarked that the division might get a better overall price from a firm that gives the division a high initial price; therefore, he is not sure he wants to make the initial purchase price the sole criteria for the RFP.

MS. DAVIDSON concurred, adding that if there is a limitation - "a not to exceed amount" - for the initial purchase price, then the division could look at the price component in evaluating the resulting RFP and that would include both the initial purchase price and the ongoing annual costs such as license renewals. Such additional costs wouldn't be covered under the initial cap, but they would be covered in the evaluation process, she reiterated. In response to a question, she said that when the division uses the evaluation criteria for selecting the vendor, the total price will be a component of the ultimate award decision.

REPRESENTATIVE KELLY opined that leaving out a specific monetary amount won't preclude the division from using any criteria it so chooses to "bracket price."

MS. DAVIDSON concurred, adding that the division doesn't have to make an award even if it has the authority to do so.

REPRESENTATIVE KELLY suggested that not including a monetary limit in the motion would provide the division with more flexibility.

CHAIR SAMUELS remarked that if "it doesn't work out, you [can] come back and try it a different way."

MS. DAVIDSON concurred.

REPRESENTATIVE HAWKER asked whether not stipulating a limit will result in the state having to accept what is offered by vendors regardless of how expensive the product is or how appropriately it meets the division's needs.

MS. DAVIDSON said no, the division will retain the option to not award. How the winning bidder is selected will be based on the selection criteria, and one evaluation factor will be price, and this hopefully will be enough of a distinction to enable the division to separate the model needed for an office the size of hers. The division must give "that" criteria enough weight so that even if a high price comes with the maximum number of tools, the cost factor will offset the other factors "for which they also may exceed expectations." In response to a question, she said she thinks the division can make an approach at finding the right product, and if what is brought forth for the division to consider doesn't appear to be in the best interest of the state to acquire, then a contract doesn't have to be awarded.

[10:06:41 AM](#)

REPRESENTATIVE HAWKER made a motion that the committee authorize the legislative auditor to solicit proposals for the purchase and implementation of automated audit software.

REPRESENTATIVE KELLY suggested that the motion should include authorization regarding the necessary hardware.

MS. DAVIDSON explained that the hardware purchases would come from another vendor, and since the division will be coming back to the committee with a summary of the division's evaluations in order to obtain final approval, the division, at that time, would ask for the authority to purchase the associated hardware. She suggested that the motion reflect that she is asking the committee to grant the division the authority to solicit for automated software.

REPRESENTATIVE HAWKER again made the motion that the committee authorize the legislative auditor to solicit the purchase and implementation of automated audit software.

SENATOR HOFFMAN asked what the committee's time frame will be for reviewing the proposals.

MS. DAVIDSON estimated that the division would be ready to have the committee consider the resulting proposals by the end of July or mid August. It will take the division a number of weeks to prepare the RFP, and that is followed by a 21-day solicitation period. She sought clarification regarding whether the committee wishes to be part of the evaluation committee, or whether the committee would simply like to see a summary of the division's evaluations and then vote to approve a purchase.

[10:10:43 AM](#)

SENATOR HOFFMAN said he'd rather do the latter and then meet as soon as possible so as to begin reaping the benefits of the new system.

CHAIR SAMUELS surmised that the committee could take this issue up right after the solicitation is complete. He asked Ms. Davidson whether she could get a copy of the RFP to the committee.

MS. DAVIDSON said that once the RFP is developed it will be posted on the division's web site, and she could send copies to members.

CHAIR SAMUELS asked whether there were any objections to the motion.

REPRESENTATIVE KELLY again opined that it would be appropriate for the motion to include both hardware and software.

MS. DAVIDSON explained that because the estimate on the necessary hardware is approximately \$40,000, there is no solicitation requirement associated with the hardware. Once the software is chosen, there will be no additional delay in acquiring the necessary hardware.

CHAIR SAMUELS, after ascertaining that there were no objections to the motion, announced that the motion passed.

**ADJOURNMENT**

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 10:13 a.m.