

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

March 25, 2008

8:34 a.m.

MEMBERS PRESENT

Representative Ralph Samuels, Chair
Representative Mike Chenault
Representative Mike Hawker
Representative Mike Doogan
Senator Lyda Green
Representative Kevin Meyer (alternate)
Senator Charlie Huggins (alternate)

MEMBERS ABSENT

Senator Lyman Hoffman, Vice Chair
Representative Mike Kelly
Senator Johnny Ellis
Senator Bert Stedman
Senator Gene Therriault
Representative Reggie Joule (alternate)

COMMITTEE CALENDAR

APPROVAL OF MINUTES
EXECUTIVE SESSION
CONSIDERATION OF FINAL AUDITS
CONSIDERATION OF PRELIMINARY AUDITS
UPDATE ON AHFC'S COMPUTER SYSTEM IMPLEMENTATION

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 an update on the AHFC's Computer System Implementation

ACTION NARRATIVE

CHAIR RALPH SAMUELS called the Legislative Budget and Audit Committee meeting to order at [8:34:47 AM](#). Representatives Doogan, Chenault, Hawker, Meyer, Samuels, and Senators Green and Huggins were present at the call to order.

APPROVAL OF MINUTES

[8:35:22 AM](#)

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

REPRESENTATIVE CHENAULT made a motion to approve the minutes of the March 17, 2008, meeting of the Legislative Budget and Audit Committee. There being no objection, it was so ordered.

EXECUTIVE SESSION

[8:35:47 AM](#)

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 [8:36:03 AM](#).

CHAIR SAMUELS brought the committee back to order at 9:37 a.m. Representatives Doogan, Chenault, Hawker, Meyer, Samuels, and Senators Green and Huggins were in attendance.

CONSIDERATION OF FINAL AUDITS

[9:37:22 AM](#)

CHAIR SAMUELS announced that the final order of business would be Consideration of Final Audits.

REPRESENTATIVE CHENAULT made a motion to release the following final audit reports to the public:

- State of Alaska Single Audit for fiscal year ended June 30, 2007 (02-40008-08)
- Department of Administration, Alaska Data Enterprise Reporting System (02-10005-08)

There being no objection, the audits will be released to the public.

CONSIDERATION OF PRELIMINARY AUDITS

[9:37:59 AM](#)

REPRESENTATIVE CHENAULT made a motion for the following preliminary audits to be released to the appropriate agencies for response:

- Department of Natural Resources, Matanuska Maid
- Department of Environmental Conservation, Division of Spill Prevention and Response

CHAIR SAMUELS clarified the motion to note that the preliminary audit for Matanuska Maid will also be released to the Department of Commerce, Community, & Economic Development for response

There being no objection, the motion passed, and the preliminary audits were released to the appropriate agencies for response.

UPDATE ON AHFC'S COMPUTER SYSTEM IMPLEMENTATION

[9:38:30 AM](#)

CHAIR SAMUELS announced that the final order of business would be an update on the Alaska Housing Finance Corporation's (AHFC) Computer System Implementation.

[9:39:18 AM](#)

PAT DAVIDSON, Legislative Auditor, Division of Legislative Audit, Alaska State Legislature, explained that last year AHFC implemented a new financial and mortgage information system termed MITAS. The division conducted an informal review, identified some areas of risk, and recommended to the executive director, AHFC, that AHFC's internal auditors increase their involvement during the implementation phase of the MITAS program. Committee members have a copy of the internal auditor's report issued by AHFC's internal auditors that shows AHFC is working towards resolution of the weaknesses identified. The expected costs through FY08 are \$3.1 million. AHFC has reorganized the project team and redefined rules and responsibilities of individuals assisting in the implementation of the MITAS mortgage modules. A revised implementation plan has been developed which includes project milestones that should help measure actual progress. Desktop procedures have been

developed for some of the processes. The risk associated with MITAS contractor's access to add, change, and delete files/tables in both test environment and live environment still exists and continues to be monitored. MITAS has not provided AHFC with documentation as to what changes have been made to their applications. This relates to protocols and communication between the MITAS contractor and AHFC in terms of formally documenting advance notices of changes to the system. The Division of Legislative Audit had concerns that MITAS was at risk of being compromised due to logical data access weakness. AHFC believes that the MITAS Group is a valued business partner and should have "24-7" access. The division perceives this as a risk that needs to continue to be monitored. Ms. Davidson said she anticipates that another report will be issued sometime in May 2008.

[9:42:07 AM](#)

MS. DAVIDSON, in response to Chair Samuels, answered that she is satisfied with the progress made thus far.

[9:42:38 AM](#)

ADJOURNMENT

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 9:42 a.m.