

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

December 5, 2011

1:34 p.m.

MEMBERS PRESENT

Representative Mike Hawker, Chair
Representative Mark Neuman
Representative Kurt Olson
Representative Bill Thomas (via teleconference)
Representative Scott Kawasaki (alternate)

Senator Hollis French
Senator Lyman Hoffman
Senator Linda Menard
Senator Thomas Wagoner (via teleconference)
Senator Kevin Meyer (alternate, via teleconference)

MEMBERS ABSENT

Senator Bert Stedman, Vice Chair

Representative Mike Doogan
Representative Bill Stoltze (alternate)

OTHER LEGISLATORS PRESENT

Senator Cathy Giessel

COMMITTEE CALENDAR

OTHER COMMITTEE BUSINESS
APPROVAL OF MINUTES
REVISED PROGRAM - LEGISLATIVE (RPLS)
EXECUTIVE SESSION
RELEASE OF AUDITS
AUDITS - FOLLOW UP ON FINDINGS AND RECOMMENDATIONS

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTERS

AMANDA RYDER, Legislative Fiscal Analyst
Legislative Finance Division
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided information regarding Revised Program -
Legislative (RPLs).

LARRY DIETRICK, Director
Division of Spill Prevention & Response (SPAR)
Department of Environmental Conservation (DEC)
Juneau, Alaska

POSITION STATEMENT: Answered questions pertaining to RPL 18-2-0382.

PAT DAVIDSON, Legislative Auditor
Legislative Audit Division
Legislative Agencies & Offices
Juneau, Alaska

POSITION STATEMENT: Discussed state licensing fees.

PAULA HALEY, Executive Director
Human Rights Commission
Office of the Governor
Juneau, Alaska

POSITION STATEMENT: Responded to an audit on behalf of the Human Rights Commission.

CURTIS THAYER, Deputy Commissioner
Office of the Commissioner
Department of Commerce, Community & Economic Development (DCCED),
Juneau, Alaska

POSITION STATEMENT: Provided a status update on unresolved audits.

DON HABEGER, Director
Division of Corporations, Business, and Professional Licensing
Department of Commerce, Community & Economic Development (DCCED)
Juneau, Alaska

POSITION STATEMENT: Presented a summary of responses to unresolved audit findings.

PAULYN SWANSON, Staff
Legislative Budget and Audit Committee
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Advised the committee on the hiring procedure for the legislative auditor.

KRISTIN CURTIS, Audit Manager
Legislative Audit Division
Legislative Agencies & Offices
Juneau, Alaska

POSITION STATEMENT: Offered credentials to support appointment as acting legislative auditor.

ACTION NARRATIVE

[1:34:23 PM](#)

CHAIR MIKE HAWKER called the Legislative Budget and Audit Committee meeting to order at 1:34 p.m. Representatives Hawker, Neuman, Thomas

(via teleconference), and Olson, and Senators French and Hoffman were present at the call to order. Senators Menard, Wagoner (via teleconference), Meyer (alternate, via teleconference), and Representative Kawasaki (alternate) arrived as the meeting was in progress. Senator Giessel was also in attendance.

Other Committee Business

1:36:05 PM

CHAIR HAWKER announced that the first order of business would be for the committee to address the proposed PFC Energy contract. He noted that on behalf of the committee he was requesting the authority to hire PFC Energy, and explained that he and Senator Stedman have been working to add depth to the legislature's consulting resources in order to support the anticipated discussion of pending oil and gas fiscal legislation. Chair Hawker advised that hiring PFC Energy would provide a resource for the entire legislature that would be managed through the Legislative Budget and Audit Committee. Further, because the legislature is "moving into a different realm, a realm of globally-experienced consulting resources," a consulting firm with the stature and resources to assist in evaluating the existing and future proposed legislation is needed. The PFC Energy contract will be dedicated to the legislature, providing fiscal and technical support, including access to significant expertise. Chair Hawker pointed out that he and Senator Stedman searched for a consulting agency qualified to assist, but that was not "conflicted out from working for the legislature." PFC Energy has global expertise in the oil and gas industry, is a recognized leader in fiscal analysis in the energy sector, has extensive data-based resources, and a global presence with offices in Europe, the U.S., and in Asia-Pacific regions. He stressed that PFC Energy is independent, objective, and transparent in its analyses without the use of "black box modeling." Chair Hawker recalled that PFC Energy worked in Alaska; in 2005 it completed a major global benchmarking study of Alaska's fiscal systems, and more recently co-authored the world rating systems study acquired by the committee last year. However, at this time PFC Energy is not working in Alaska and its present governmental work on policy is in the Middle East and India.

1:41:02 PM

CHAIR HAWKER continued, saying that the committee will have direct involvement at the highest level with PFC Energy's partners and staff through the proposed contract parameters. Although the committee has not had a lot of notice regarding this contract, he restated that he and Senator Stedman have been working on this for some time, and have asked PFC Energy to consider developing a fiscal system model to compare proposed statutory changes and "stress testing" proposals under a range of prices, and to assess the producers' prospective on changes in fiscal terms. In addition, PFC Energy would be tasked with the following: undertaking an analysis of producers' assessments of

alternatives for investment and the implications of fiscal changes on the competitive position of the state; presentations to legislative committees during the session; providing general advice, assistance, education, and counseling to the legislature during the session; providing a dialog of gas fiscal terms. Chair Hawker pointed out that PFC Energy is one of the leading globally-respected companies, but is not the most expensive that was considered; in fact, the proposed contract authorization requested will not exceed \$650,000, which he opined is "the market rate for these ... services."

[1:45:53 PM](#)

REPRESENTATIVE OLSON made a motion to ask for unanimous consent to authorize the chair of the committee to enter into a contract with PFC Energy at a cost not to exceed \$650,000. He added that this is intended to be a sole source contract with PFC Energy as it has been determined it is in the best interest of the committee.

[1:46:18 PM](#)

CHAIR HAWKER objected for the purpose of discussion.

SENATOR MENARD asked whether \$650,000 is at the "high end" of the estimated cost.

CHAIR HAWKER confirmed that \$650,000 is the high end for a structured agreement with specific deliverables such as modeling and assessing the producers' perspective, and with on-demand services provided for at an hourly billing rate. He expected the report will be a "hybrid" with the base contract of between \$500,000 and \$600,000.

SENATOR MENARD then asked whether the firm is available to begin work immediately.

CHAIR HAWKER assured Senator Menard PFC Energy is available immediately.

[1:49:23 PM](#)

SENATOR FRENCH asked for the specific deliverables expected from the consultant, and for its hourly rate charged for fielding inquiries from individual legislators.

CHAIR HAWKER said the specific deliverables are to develop a transparent working fiscal system model, and to provide all of the parameters of the model to the legislature. He advised that the model will evolve as statutory changes are proposed, and will reflect long-term financial analysis and stress testing. Additionally, the educational components are the producers' perspectives that will be presented to legislative committees - along with assessments of competing alternatives for producer investment and the effects of changes thereon - and on-demand presentations to committees. Day

rates for PFC Energy consultants are: \$5,200 for senior partners; \$4,000 for senior directors; \$3,000 for senior managers; \$2,400 for managers; \$1,500 for analysts.

SENATOR FRENCH asked whether the consultants will be in Juneau throughout the session.

CHAIR HAWKER answered that they would be available at the call of the committee during the legislative session. In further response to Senator French, he said that the firm's home office is in Houston, Texas, although some of the analysts will be based in Washington, D.C.

REPRESENTATIVE NEUMAN pointed out the consultants will be making recommendations on tax structures that are worth billions of dollars to the state. He opined "this is what it cost to get the best," and expressed his support of the contract.

SENATOR MENARD urged that the contract should clarify whether or not a consultant is paid for the time he or she may be weathered-in in Juneau.

[1:55:45 PM](#)

SENATOR WAGONER informed the committee he was provided only the agenda for today's meeting. He pointed out that the state has changed the taxing structure twice in the last six years; in fact, the industry complains about the "continual flux that we're in with our taxing structure," and he said he could not vote for approval of the contract without additional information.

CHAIR HAWKER acknowledged his recent absence contributed to the short notice of the contract to committee members, however, he and Senator Stedman have been working specifically to ensure that the Senate has the professional resources to consider, evaluate, and vote on the governor's proposed tax reform.

SENATOR WAGONER asked whether Chair Hawker was referring to HB 110.

CHAIR HAWKER said yes, along with several other proposals.

SENATOR FRENCH asked whether PFC Energy has been employed by the legislature before.

CHAIR HAWKER said no, except for technical studies. In further response to Senator French, he expressed his belief there was a Department of Revenue (DOR) global benchmarking study in 2005.

SENATOR FRENCH then asked whether PFC Energy "is of a level of professional expertise equivalent to Wood Mackenzie, Econ One, Daniel Johnston, Pedro Van Meurs, David Wood?"

CHAIR HAWKER said yes.

[1:59:36 PM](#)

A roll call vote was taken. Representatives Neuman, Olson, Thomas, and Hawker, and Senators French, Hoffman, Menard, and Meyer voted in favor of the motion. Senator Wagoner voted against it. Therefore, the motion passed by a vote of 8-1.

Approval of Minutes

[2:01:43 PM](#)

CHAIR HAWKER announced that the next order of business would be the approval of the minutes.

REPRESENTATIVE OLSON made a motion to approve the minutes of October 14, 2011. There being no objection, the minutes from the meeting of October 14, 2011, were approved.

Revised Program - Legislative (RPLs)

[2:02:09 PM](#)

CHAIR HAWKER announced that the next order of business would be consideration of two Revised Program - Legislative (RPLs).

[2:02:17 PM](#)

AMANDA RYDER, Legislative Fiscal Analyst, Legislative Finance Division, Alaska State Legislature, with regard to RPL 06-2-0348 - Patient-Centered Medical Home Model, Division of Health Care Services, explained that the Department of Health and Social Services (DHSS) is requesting \$100,000 of Mental Health Trust Authority Authorized Receipts (MHTAAR) authority to pay consultant costs to develop guidelines for creating a Patient-Centered Medical Home (PCMH) model of care delivery system. The department anticipates spending \$300,000, using \$200,000 of federal funds received from a fiscal year 2010 (FY 10) Children's Health Insurance (CHIP) performance bonus. Ms. Ryder pointed out that the implementation of pilot PCMH models was recommended by the Medicaid Task Force in its report dated April 6, 2011. In response to Chair Hawker, she confirmed that this funding is part of the FY 12 budget.

MS. RYDER, with regard to RPL 18-2-0382 Contaminated Sites Program, Spill Prevention and Response, explained that the Department of Environmental Conservation (DEC) is requesting \$350,000 of federal funds for the management of contaminated site cleanup, technical assistance and policy development for military facilities, formerly used defense sites, and rural communities. Although the FY 12 budget contains \$3.9 million for this purpose, additional federal grant funds have been made available to DEC and authorization is needed to expend these funds.

SENATOR HOFFMAN asked where the rural clean-up sites are located.

[2:05:25 PM](#)

LARRY DIETRICK, Director, Division of Spill Prevention & Response (SPAR), Department of Environmental Conservation (DEC), said the funding covers a variety of sites, including U.S. Department of Defense (DOD) sites, and sites at Selawik, ZipMart in Sterling, and other areas. In further response to Senator Hoffman, he said he would provide Senator Hoffman's office with a complete inventory.

SENATOR WAGONER referred to the document in the committee packet titled "Division of Spill Prevention and Response Federal Grant Report 2012-2013," dated 11/15/11, and asked whether the FY 12 sites identified as Leaking Underground Storage Tanks - \$358,655.10, and Leaking Underground Storage Tanks Cost Recovery - \$250,000, are the ZipMart site.

MR. DIETRICK said correct.

[2:07:12 PM](#)

REPRESENTATIVE OLSON made a motion to approve RPL 06-2-0348, Department of Health and Social Services (DHSS), \$100,000 in MHTAAR, and RPL 18-2-0382, Department of Environmental Conservation (DEC), \$350,000 in federal receipts. There being no objection, those RPLs were approved.

Executive Session

[2:08:22 PM](#)

REPRESENTATIVE OLSON 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 2:08 p.m.

[2:44:56 PM](#)

CHAIR HAWKER brought the committee back to order at 2:44 p.m. Present at the call back to order were Representatives Hawker, Olson, Thomas (via teleconference), Kawasaki (alternate), and Senators French, Menard, Wagoner (via teleconference). Also present was Senator Giessel.

Release of Audits

[2:45:29 PM](#)

REPRESENTATIVE OLSON made a motion for the final audits of the Office of the Governor, Alaska State Commission for Human Rights, Selected

Operational Issues and the Department of Commerce, Community and Economic Development (DCCED), Big Game Commercial Services Board, to be released to the public.

CHAIR HAWKER objected for the purpose of discussion. He observed that one role of the committee is to review and forward audits conducted by the legislative auditor into the public domain. However, a vote to move the audits is not an affirmation of support or any position by an individual member of the committee - or the committee as a whole - on the content of the audits. Finally, additional contact with the appropriate agencies regarding audits has been arranged for later in this meeting's agenda. Chair Hawker then removed his objection. There being no further objection, it was so ordered.

[2:46:51 PM](#)

REPRESENTATIVE OLSON made a motion for the Single Audit Pilot Project interim communication to be released to the public. There being no objection, it was so ordered.

Audits - Follow Up on Findings and Recommendations

[2:47:29 PM](#)

REPRESENTATIVE HAWKER invited Ms. Davidson to clarify previous items before the committee.

[2:47:49 PM](#)

PAT DAVIDSON, Legislative Auditor, Legislative Audit Division, Legislative Agencies & Offices, stated that in response to a question from the committee on Big Game commercial services licensing fees, her department has prepared a memorandum comparing some western states' licensing fees to those of Alaska. She pointed out that in Alaska, licensing fees are set for a two-year period, although other states have an annual renewal of license fees, thus Exhibit 1 of the memorandum annualizes the cost of licenses for comparison. The committee also inquired about a recent increase in real estate commission fees. She explained that a review of the fees indicated a decrease in revenue and an increase in both personal services and contractual services. The increase in contractual services was the result of reimbursable service agreements with the Department of Law (DOL) and the Office of Administrative Hearings because the volatile income from these offices is based on the number of cases, hearings, and investigations ordered. There were two reasons for the increase in personal services. Firstly, more investigators are working for the real estate commission; secondly, real estate commission personnel are involved in surety fund issues, in fact, in the FY 08-09 biennium period more of their time was charged to surety fund issues, but in FY 10-11, more time was charged to real estate commission operations. She concluded that the expenditures are related to real estate commission activity. Furthermore, there was a decrease in licensing

fees in FY 10-11 since the renewal license fee was reduced from \$350 to \$275, and fees for office registration and applications were also reduced. As a result, the real estate commission now has a cumulative deficit of \$600,000 for FY11, up from a deficit of \$23,000 in FY 09. Ms. Davidson expressed her belief that the board may be able to improve its projection of the costs associated with investigative and contractual issues.

2:52:20 PM

SENATOR MENARD asked whether there has been an increase in investigators' salaries, how many investigators cover the real estate industry, and whether qualified investigators could be hired "out of legal."

MS. DAVIDSON said she did not have details on investigators' salaries; however, she explained that there is a pool of investigators in addition to those dedicated to particular boards. The DOL makes staff assignments and there are set fees for reimbursable services and hearing costs from the Office of Administrative Hearings. Ms. Davidson then turned attention to departmental summaries of audits over the last three years that contain a short synopsis of each audit. Her department has included only the most recent statewide single audit to avoid duplication. She acknowledged there is not a process for re-auditing issues on performance-type and sunset audits as those are reported on a regular basis. Sunset audits from DCCED, for example, hold repetitive recommendations regarding administrative or investigative deficiencies, and she stated that in compiling these summaries they have "stripped those out of the board audit and only put in the summary of the recommendations that were made to the department in the last audit that we did, looking at the division itself with regard to administrative support and investigative support for the board." Ms. Davidson explained this is an effort to "streamline it and focus it a little better."

2:56:16 PM

CHAIR HAWKER informed the committee this work was done at his request because in his experience on the House Finance Committee he has been troubled about a lack of follow-up on issues and deficiencies in state government that are identified by audits. The purpose of the documents presented is to provide a summary from the auditor to the finance committees of the House and Senate for their use in the development of future budgets, and to review agencies' activities. He expressed his belief that the House Finance Committee will be using the summary next week in preparation for organizing subcommittee activity, and in its budget review evaluation. Chair Hawker then announced that the FY 09-11 summary documents will be posted on the Legislative Budget and Audit Committee website.

REPRESENTATIVE THOMAS confirmed that the documents will be used in an upcoming workshop.

CHAIR HAWKER thanked Ms. Davidson for her work. He then invited the executive director of the Human Rights Commission to present her response to a previous audit.

2:59:39 PM

PAULA HALEY, Executive Director, Human Rights Commission, Office of the Governor, directed attention to the Human Rights commissioners' written response to the preliminary audit report which was provided to the committee. She stated she has been the executive director of the Human Rights Commission for 23 years and previously participated in a legislative audit published in May 2000, which also addressed concerns about the timeliness of the commission's investigations. However, the current audit did not acknowledge the commission's improvement in the timeliness of investigations and in taking cases to hearing, even though this improvement has taken place with no additional resources and many additional complaints. Instead, this audit concluded that because the commission does not process cases quickly enough to meet its legislative mandate, the mission should be realigned. Ms. Haley said the commissioners and staff believe realignment would "eviscerate the agency's ability to enforce Alaska's long-standing and well-thought-out human rights law." In addition, realignment of the commission would mean that all but 37 cases of the 351 cases received by the commission last year would be diverted to other agencies. Ms. Haley pointed out that the audit concluded that the commission is not meeting its mandate because it is not conducting studies, or significant education and outreach, thus is merely acting as "a mere complaint-taking bureau." However, as indicated by "the courts," the commission is responsible to investigate complaints on their merits and to enforce human rights laws with remedies of relief to victims of discrimination. Ms. Haley continued, saying "the division in 2000, and again this year, determines that 180 days is an appropriate time to process complaints of discrimination." To support this, the audit cites some inaccurate examples from other agencies; in fact, only five states have deadlines of less than one year and she cautioned that a rush to judgment is often detrimental to businesses against which complaints are filed. She advised that commission staff is willing to adopt several of the audit's recommendations such as gaining Internet access and email, updating the procedural manual, creating reasonable internal timelines, and looking at ways to improve processing; however, there is no limit to the needs of the community. Ms. Haley opined the commission staff is hard-working, in addition to being well-trained, and well-qualified. She said, "Without additional resources timelines alone will not guarantee timeliness." As a matter of fact, on 12/2/11, the Office of the Ombudsman, Legislative Agencies & Offices, issued a report that concluded that a benchmark of 180 days is unworkable for the commission, and it is unfair to hold the commission accountable for factors over which it has no control, such as its budget, and whether or not to act on complaints. She emphasized that two legislative entities have looked at the same problems and reached different results.

SENATOR FRENCH thanked Ms. Haley for her audit response on behalf of the commission, and said he was unsure whether there would be legislation acting on the final recommendations of the audit. However, he cautioned such legislation would have "tough sledding" for many of the same reasons reported in the commission's response. Although actions taken by the commission to speed up investigations - such as the adoption of email - are warranted, he said, "Overall, I applaud what you are doing."

[3:05:58 PM](#)

CHAIR HAWKER noted the commission's formal response will be included in the permanent record of the audit with the "response to the response from the auditor." He expressed his belief that the audit mechanism is working as it should.

MS. HALEY pointed out the response has a summary by the commissioners at the front.

CHAIR HAWKER, in response to Ms. Haley, said the final audit was immediately available to the commission on the Legislative Budget & Audit Committee website.

[3:10:36 PM](#)

CURTIS THAYER, Deputy Commissioner, Office of the Commissioner, informed the committee that since August 19, 2011, DCCED has worked with the Division of Corporations, Business, and Professional Licensing, and senior management to identify problems with corporate, business, and professional licenses. He presented the committee with a document titled, "DCCED Division of Corporations, Business and Professional Licensing Organizational Response Plan," dated 11/16/11, which was a matrix of an organizational response plan. The plan revealed issues such as agency financials, customer service, and bottlenecks in management leading to delays in decision-making and levels of service, which were identified and corrected. Also, the department is responding to audits regarding inaccuracies in fee analysis and accounting by looking at recommendations as far back as 2007. Mr. Thayer acknowledged that problems with inaccurate accounting by various board administrations led to DCCED requesting the first cost allocation plan for the division since 1998; in fact, a plan to identify new methodology will be completed and to the boards within six to nine months. Other areas discussed were the processing of corporation filings within a 10 to 15 business day processing timeframe, and an older customer service database that caused delays in customer service. At this time, the old database has been retired and online registry is now working great. Further, some boards have problems filing annual performance reports on time, but now - with one exception - all annual reports for FY 11 were completed within policy guidelines. Additionally, all boards are now receiving training on state policies and procedures. He acknowledged that another problem

identified in seven audits was the timeliness of investigations. In response, a part-time analyst was hired who made sixteen no-cost recommendations that are now being implemented, as reported in the document titled, "Recommendations to the Alaska Department of Commerce, Community, and Economic Development (DCCED) - Division of Corporations, Business and Professional Licensing (CBPL)," prepared by Kevin R. Fryslie, and dated October 2011.

[3:16:14 PM](#)

MR. THAYER, in response to an earlier question from Senator Menard, said the division has 18 investigators, who earn salaries of approximately \$50,000-\$55,000 per year, which is commensurate to other state investigators. Returning to the abovementioned document, he noted that one of the recommendations by Mr. Fryslie was to make the computer program used for investigations more user-friendly. Addressing the subject of licensing fee changes, he referred to the document titled, "Division of Corporations, Business and Professional Licensing License Fee Changes FY2010-12," and explained that the division issues 40 types of licenses - 20 with boards - every two years at various times throughout the year, and with fluctuating fee adjustments. The document identified renewal dates, FY 10 licensing fees, FY 11 licensing fees, FY 12 licensing fees, and fee adjustments. The division is trying to prevent "spikes" in fees and to help boards estimate expenses; for example, legal fees may be as high as \$20,000 for an investigation, but statute limits penalties for the recovery of costs to \$5,000 per individual.

[3:19:53 PM](#)

SENATOR FRENCH called attention to the enormous differences in the licensing fees for various occupations, and asked how the fees are set.

MR. THAYER answered that, according to statute, fees are set by the approximate costs, size, and type of board. For example, contractors have 7,000 licensees, thus the costs are shared by a large group. He described the size of several boards and their respective fees.

SENATOR MENARD asked for information and history on the licensing of tattoo artists.

MR. THAYER was unsure when the licensing of tattoo artists began. In further response to Senator Menard, he expressed his understanding that body piercing has been licensed since FY 10.

SENATOR MENARD was informed that tattoo artists need to be licensed in the same way as manicurists. Referring to her personal experience as a small business owner, she then asked whether lowering fees encourages the proliferation of "fly-by-night" businesses.

MR. THAYER clarified that some boards prefer fees to remain "flat" and instead improve their forecasting of expenses. He compared the staff and number of licensees for several boards, and noted that changes in the economic market are also a factor.

SENATOR MENARD asked, "What have you done, through your influence with the department of commerce, to influence what's happened to us with our realtor fees?"

[3:26:08 PM](#)

MR. THAYER stated that the fee increase for the Board of Realtors will be \$100, which is based on identified cost-saving measures and efforts to make statutory changes regarding responsibilities for investigations. One example of a statutory change is whether money could be redirected to offset the cost to the boards. However, the real estate board has overspent and has a deficit. He also suggested that boards may share staff. In response to Senator French, he said the real estate license fee is a change from \$275 to \$375.

SENATOR FRENCH explained that the fees are set to allow each industry self-regulation; in fact, the fees are not imposed by the state.

MR. THAYER agreed. Board personnel costs vary due to travel and operational differences, but in the case of the real estate board, lower fees have caused the deficit.

SENATOR MENARD stated that hairdressers feel their increase is unreasonable.

MR. THAYER said hairdressers' fees increased from \$100 to \$160, which is a big percentage. He pointed out that they had a deficit of \$250,000 - although they do not have an expensive board - but the fee had not increased in several years.

CHAIR HAWKER surmised the fee may lower after the deficit is addressed.

MR. THAYER agreed.

CHAIR HAWKER called attention to the increase for Direct-Entry Midwives, and asked Mr. Thayer to verify the mathematics.

[3:32:58 PM](#)

DON HABEGER, Director, Division of Corporations, Business, and Professional Licensing, Department of Commerce, Community & Economic Development (DCCED), in response to Chair Hawker, informed the committee his division is using a three-pronged approach toward lingering issues. First, a change in the organization of his division added an increased level of executive management to facilitate more timely reviews and responses, under the direction of a new program

coordinator for professional licensing. The program coordinator will also look at standard operating procedures and policies that need to be updated and enforced. Secondly, on the financial side, Phase 1 of a cost allocation analysis revealed that costs were not appropriately distributed by sector and corrections for that are ongoing. Lastly, the division is reviewing the computer system for investigations because the data was incomplete and unreliable.

[3:36:24 PM](#)

CHAIR HAWKER expressed his hope that the agency's efforts are successful, as some of these management issues have remained unsolved for 10 years.

SENATOR MENARD asked if DCCED compared the number of boards in Alaska with the number in other states.

MR. THAYER said no. However, the department has compared fees, services, and the cost of the regulation of some boards.

SENATOR MENARD suggested combining and eliminating boards to solve some of the problem.

MR. THAYER acknowledged the department has 20 boards along with the boards and commissions in the governor's office.

SENATOR MENARD pointed out the costs of various boards.

[3:40:05 PM](#)

MR. THAYER concluded by saying that the department wants to be held accountable to the changes and recommendations of the matrix, in addition to working with the legislature on pertinent statutory changes.

Other Committee Business

[3:40:47 PM](#)

CHAIR HAWKER announced that the last item was a replacement for Pat Davidson who is retiring effective 12/31/11. Hiring a replacement is the committee's responsibility, and he suggested appointing an interim auditor to serve during the recruitment period.

[3:42:23 PM](#)

PAULYN SWANSON, Staff, Legislative Budget and Audit Committee, Alaska State Legislature, stated the committee is tasked with interviewing and vetting applicants for the position of legislative auditor, and then forwarding a nominee to the legislature for approval as mandated by AS 24.20.251(b). The intention is to work with Skiff Lobaugh, Human Resource Manager, Personnel Office, Legislative Administrative

Services, Legislative Affairs Agency, to create a 30-day recruitment notice posted on Workplace Alaska. After the close of the recruitment period, on or about 1/12/12, a subcommittee will review resumes, conduct interviews, and recommend a nominee to the full committee for approval.

[3:44:51 PM](#)

CHAIR HAWKER stated his intention to present the list of applicants to the full committee along with a recommended nominee.

MS. SWANSON understood after the nominee is approved by the full committee, his/her nomination will be voted on separately by the House and Senate, or in a joint session.

CHAIR HAWKER appointed a three-member subcommittee consisting of Representative Mike Doogan, Senator Bert Stedman, and Representative Hawker, chair. He then offered the name of Kristin Curtin for appointment as acting auditor for the duration of the recruitment and hiring period.

[3:47:59 PM](#)

KRISTIN CURTIS, Audit Manager, Legislative Audit Division, Legislative Agencies & Offices, informed the committee she has been in her position with the Legislative Audit Division since 1992. She has worked closely with the previous legislative auditor and has been trained by Ms. Davidson. Ms. Curtis said she is very interested in applying for the legislative auditor position. In response to Chair Hawker, she said she was a Certified Public Accountant (CPA), holds a master's degree in business administration, and is a Certified Information Systems Auditor (CISA).

[3:49:39 PM](#)

REPRESENTATIVE OLSON moved to appoint Kristin Curtis, CPA, as Acting Legislative Auditor effective 1/1/12. There being no objection, it was so ordered.

[3:51:28 PM](#)

ADJOURNMENT

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 3:51 p.m.