

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

January 23, 2012

8:05 a.m.

**MEMBERS PRESENT**

Representative Mike Hawker, Chair  
Representative Mark Neuman  
Representative Kurt Olson  
Representative Bill Thomas

Senator Bert Stedman, Vice Chair  
Senator Lyman Hoffman  
Senator Linda Menard  
Senator Thomas Wagoner

**MEMBERS ABSENT**

Representative Mike Doogan  
Representative Scott Kawasaki (alternate)  
Representative Bill Stoltze (alternate)

Senator Kevin Meyer (alternate)  
Senator Hollis French

**COMMITTEE CALENDAR**

APPROVAL OF MINUTES  
AUDIT REQUESTS  
OTHER COMMITTEE BUSINESS

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

KRISTIN CURTIS, Acting Legislative Auditor  
Legislative Audit Division  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Provided information on the status of current audits and on the new audit requests.

**ACTION NARRATIVE**

[8:05:13 AM](#)

**CHAIR MIKE HAWKER** called the Legislative Budget and Audit Committee meeting to order at 8:05 a.m. Representatives Hawker, Thomas, Olson, and Neuman and Senators Hoffman, Menard, Wagoner, and Stedman were present at the call to order.

### Approval of minutes

[8:07:53 AM](#)

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

SENATOR STEDMAN made a motion to approve the minutes of December 5, 2011. There being no objection, the minutes from the meeting of December 5, 2011 were approved.

### Audit Requests

[8:08:29 AM](#)

CHAIR HAWKER announced that the next order of business would be the annual status update on current audits, as well as requests for two new audits.

KRISTIN CURTIS, Acting Legislative Auditor, Legislative Audit Division, Alaska State Legislature, reported on the current ongoing audits, directing attention to the statewide single audit, the largest annual audit, and noted that this audit was 95 percent complete, with anticipation for presentation at the upcoming scheduled February 27, 2012, Legislative Budget and Audit Committee meeting. She declared that currently there were five other special audits being conducted, the oldest being the Alaska Statewide System for Employee Time (ASSET). She observed that this audit had begun in January 2011, as the State of Alaska had anticipated replacement of its current time and attendance system with this system in December 2011, explaining that time and attendance were integral to the payroll system. She reported that the Division of Finance had rescheduled the implementation of this new system for June 2013; therefore, the Legislative Audit Division had postponed this audit until January 2013.

MS. CURTIS summarized the Film Production Incentive Program audit, which focused on both the financial and the performance

issues. She noted that the financial aspect of the project was 60 percent complete with an anticipated presentation of the audit preliminary to the committee at its scheduled February 27, 2012, meeting. She explained that staffing for the audit of the performance aspect had just been initiated, and, as there was not yet an approved scope, she did not anticipate completion of the audit during the current legislative session. Referring to the Virus Free Seed Potatoes audit, she stated that it was 25 percent complete, with a projected presentation for the scheduled March 28, 2012, committee meeting. She directed attention to the review of the annual report from the Regulatory Commission of Alaska (RCA), as statute dictated that the RCA be audited every two years. She reported that this audit was 60 percent complete, also with a projected presentation for the March 28, 2012, committee meeting. Referencing the still active Matanuska Maid sale audit, which required a report on the disposition of the assets, she noted that the Department of Natural Resources (DNR) had not yet sold one of the assets. She specified that upon the sale of this asset, the audit could be closed. In response to Chair Hawker, she explained that the remaining asset was a parcel of land in Palmer.

[8:11:37 AM](#)

MS. CURTIS pointed out that, as six boards and commissions would be terminated on June 30, 2013, each would require an audit during the upcoming year and therefore, the Legislative Audit Division would need to staff accordingly. She listed these as the Board of Marine Pilots, the Alaska State Medical Board, Alaska Board of Public Accountancy, Statewide Suicide Prevention Council, Special Education Service Agency, and the Alaska Bar Association.

[8:12:10 AM](#)

MS. CURTIS, in response to Chair Hawker, confirmed that this would be a high work load for the Legislative Audit Division.

[8:13:07 AM](#)

CHAIR HAWKER presented the first of two submitted audit requests. He defined the Knik Arm Bridge and Toll Authority (KABATA) audit as a status request, not a financial audit, in order to disclose where the current project started, what it was doing, and what involvement was taking place between the public and private partnership, and to include a description of the funding received, spent, and anticipated. He asked that it

incorporate an evaluation of the projections and parameters to the project to be used as benchmarks to future considerations.

8:14:40 AM

REPRESENTATIVE NEUMAN, identifying himself as a KABATA board member, expressed his agreement that many communities wanted to review the project. In reference to the recent fiscal note on KABATA submitted by the Department of Transportation & Public Facilities, he declared that there would not be any fiscal impact to the state if the expected income from tolls was received. He reported that the administration was writing language "to make sure we got some sideboards on this for the state's liability, so it's not open ended on that." He directed attention to the KABATA website, which he declared to have been thoroughly vetted by more than one hundred public meetings. Observing that Governor Parnell fully supported the project, he declared that he welcomed the audit, as this had been an open process.

8:16:51 AM

SENATOR MENARD disclosed that she was also a KABATA board member, albeit a non-voting member. She questioned the necessity of an audit, endorsing KABATA as capable of presenting the requested information.

CHAIR HAWKER, in response to Senator Menard, explained that the purpose of an independent state audit was:

to verify and validate information that is represented to us from sources in which we may or may not have confidence. ... It's a report to the legislature that is developed in accordance with national standards for accounting, reporting functions for review by people that are absolutely independent of the project, rather than folks on the board of the project making representations related to their project, or even members of that project.

CHAIR HAWKER concluded that it was necessary for the audit process to maintain, in both fact and in appearance, "the absolute independence and objectivity of this panel ... in making the legislative decision as to whether to ask for an audit to be completed." He declared that it was inappropriate for the record of testimony to have a potential auditee being seen as potentially influencing the outcome of a decision.

[8:18:53 AM](#)

SENATOR MENARD declared that she "just wanted to go on record that I'm comfortable with the audit, but they're [KABATA] squeaky clean and I just would question why we can't get a lot of the information off the website."

[8:19:05 AM](#)

SENATOR STEDMAN, referencing the two major bridge projects in Alaska during the previous decade, pointed out that he had requested the audit for the Gravina Bridge project, in order to clarify "what is on the table."

[8:19:53 AM](#)

SENATOR MENARD, offering her support to the audit, declared: "I have that attitude I think it's stellar what they have done, and so, we'll just be sharing it with the full committee and I'm comfortable with that."

[8:20:13 AM](#)

SENATOR STEDMAN moved to approve the request for an audit of the Knik Arm Bridge Toll Authority (KABATA) as presented. There being no objection, it was so ordered.

[8:20:43 AM](#)

CHAIR HAWKER noted that the second audit request was in response to public concern for the use of independent contractors at the Office of Public Advocacy (OPA). He acknowledged that earlier discussions with the Legislative Audit Division had resulted in agreement that there was a legitimate question that the hiring and employment of third party contractors resulted in potential issues of discrimination in the community and was in violation of procurement codes.

[8:22:22 AM](#)

SENATOR STEDMAN moved to approve the request for the audit of the Office of Public Advocacy's procurement practices related to personal services contracts. There being no objection, it was so ordered.

**Other Committee Business**

8:22:48 AM

CHAIR HAWKER asked if there was any other business to be brought before the committee.

8:22:56 AM

**ADJOURNMENT**

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 8:22 a.m.