

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

January 18, 2013

8:02 a.m.

MEMBERS PRESENT

Senator Anna Fairclough, Chair
Senator Kevin Meyer
Senator Click Bishop
Senator Cathy Giessel
Senator Donald Olson

Representative Mike Hawker, Vice Chair
Representative Alan Austerman
Representative Bob Herron
Representative Andrew Josephson
Representative Scott Kawasaki (alternate)

MEMBERS ABSENT

Representative Kurt Olson
Representative Bill Stoltze (alternate)

Senator Mike Dunleavy (alternate)

COMMITTEE CALENDAR

ELECTION OF CHAIRMAN
ELECTION OF VICE CHAIRMAN
LEGISLATIVE FINANCE
OVERVIEW OF THE AUDIT PROCESS

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

DAVID TEAL, Legislative Fiscal Analyst
Legislative Finance Division
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided information to the Joint Committee on Legislative Budget and Audit.

AMANDA RYDER, Fiscal Analyst

Legislative Finance Division
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided information to the Joint Committee on Legislative Budget and Audit.

ROB CARPENTER, Fiscal Analyst
Legislative Finance Division
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided information to the Joint Committee on Legislative Budget and Audit.

LACEY SANDERS, Fiscal Analyst
Legislative Finance Division
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided information to the Joint Committee on Legislative Budget and Audit.

ILDIKO NYLEN, Administrative Officer
Legislative Finance Division
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided information to the Joint Committee on Legislative Budget and Audit.

KELLY CUNNINGHAM, Fiscal Analyst
Legislative Finance Division
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided information to the Joint Committee on Legislative Budget and Audit.

DANITH WATTS, Fiscal Analyst
Legislative Finance Division
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided information to the Joint Committee on Legislative Budget and Audit.

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

POSITION STATEMENT: Provided an overview on the audit process.

ACTION NARRATIVE

[8:02:20 AM](#)

CHAIR MIKE HAWKER called the Legislative Budget and Audit Committee meeting to order at 8:02 a.m. Representatives Austerman, Herron, Josephson, Kawasaki, and Hawker and Senators Meyer, Bishop, Giessel, and Fairclough were present at the call to order. Senator Olson arrived as the meeting was in progress.

ELECTION OF CHAIRMAN

[8:03:19 AM](#)

CHAIR HAWKER announced that the first order of business would be the election of a new chairman.

[8:03:34 AM](#)

SENATOR MEYER nominated Senator Anna Fairclough to be Chairman of the Legislative Budget & Audit Committee for the 28th Alaska State Legislature. He moved and asked unanimous consent that nominations be closed. There being no objection, it was so ordered.

[8:04:06 AM](#)

The committee took a brief at-ease.

ELECTION OF VICE CHAIRMAN

[8:04:39 AM](#)

CHAIR FAIRCLOUGH brought the committee back to order. She nominated Representative Mike Hawker to be Vice-Chairman of the Legislative Budget & Audit Committee for the 28th Alaska State Legislature. She moved and asked unanimous consent that nominations be closed. There being no objection, it was so ordered.

LEGISLATIVE FINANCE

[8:05:05 AM](#)

CHAIR FAIRCLOUGH announced that the next order of business would be an introduction by the Legislative Finance Division.

[8:05:16 AM](#)

DAVID TEAL, Legislative Fiscal Analyst, Legislative Finance Division, Alaska State Legislature, conveyed that the Legislative Finance Division reported organizationally to the Legislative Budget and Audit Committee, and that primarily the work was to review revised program requests.

[8:06:19 AM](#)

AMANDA RYDER, Fiscal Analyst, Legislative Finance Division, Alaska State Legislature, reported that she was the operating budget coordinator, she worked primarily with the Department of Health and Social Services and the Department of Labor & Workforce Development, and that she "spearheaded the supplemental bill."

[8:06:29 AM](#)

ROB CARPENTER, Fiscal Analyst, Legislative Finance Division, Alaska State Legislature, stated that he was the coordinator for the capital budget and he worked with the Department of Natural Resources.

[8:06:45 AM](#)

LACEY SANDERS, Fiscal Analyst, Legislative Finance Division, Alaska State Legislature, declared that she worked with Department of Commerce, Community & Economic Development, Alaska Department of Fish & Game, Department of Military & Veterans' Affairs, and the Department of Revenue. She shared that she also worked on the fiscal summary.

[8:06:59 AM](#)

ILDIKO NYLEN, Administrative Officer, Legislative Finance Division, Alaska State Legislature, informed that she was the administrative officer for the division.

[8:07:05 AM](#)

KELLY CUNNINGHAM, Fiscal Analyst, Legislative Finance Division, Alaska State Legislature, specified that she worked with the criminal justice agencies, which included the Alaska Court

System, Department of Corrections, Department of Law, and Department of Public Safety, and that she was also responsible for any fiscal notes.

[8:07:11 AM](#)

DANITH WATTS, Fiscal Analyst, Legislative Finance Division, Alaska State Legislature, conveyed that she worked with the Department of Administration, Department of Environmental Conservation, and the University of Alaska.

OVERVIEW OF THE AUDIT PROCESS

[8:07:29 AM](#)

KRISTIN CURTIS, Legislative Auditor, Legislative Audit Division, Alaska State Legislature, reported that she was responsible for the Legislative Audit Division. She presented a high level overview of the audit process, and explained that her office were the fiscal staff to the Legislative Budget and Audit Committee. Directing attention to the Legislative Budget and Audit Committee Handbook [Included in members' packets], she explained that it detailed a summary of the committee's duties, as well as those of the Legislative Audit Division and the Legislative Finance Division. She cited that the handbook included the primary governing statutes, organizational charts, and the formal policies and procedures governing the audit process that the committee had adopted. These policies included the number of votes to release an audit or to approve an audit request, as well as policies on travel and per diem. She pointed out that there was a full description for the types of audits in the handbook. She briefly explained the three types of audits conducted by her office, including the statewide single audit, which were audits and opinions on the state's financial statements and its compliance with federal requirements over federal programs, and the sunset audit, or performance audit, which were reviews of boards, commissions, or agencies to determine whether it was operating in the public's interest, and whether its termination date should be extended. She reported that, as there were nine such entities with termination dates for June 30, 2014, her division would perform these audits during 2013, and provide the reports to the committee prior to commencement of the legislative session in January, 2014. She summarized that the third type of audit, the special audit, was performed in response to a request approved by the committee. She reported that, currently, there were three special audits being conducted. She confirmed that the

preliminary report for a special audit would first be presented to the committee, and then released back to the agency being audited for its formal comment. These comments would be incorporated into the final report to the committee.

8:11:16 AM

MS. CURTIS directed attention to page 37 of the aforementioned handbook, which described the confidential report distribution process. She shared that the overriding principle guiding these procedures was for the audit to remain confidential until it was officially released as a final public document. She listed the procedures to maintain this confidentially, emphasizing the importance for the necessary precautions to prevent any premature release. She shared that final reports would be delivered to each member's office at least two days prior to the committee meeting during session and four days prior during interim, would be marked confidential, and would require a staff member to sign for its delivery. These reports would be printed on blue paper, in order to distinguish these confidential audit reports from any other reports. She noted that preliminary reports would only be distributed at the committee meeting, and would be collected at the end of the committee meeting.

8:14:06 AM

MS. CURTIS, in response to Senator Meyer, clarified that a requested audit, when approved, could take a while for completion. She offered an example of an audit request which, although approved a week earlier, would not be started until the end of the summer.

8:15:08 AM

MS. CURTIS, in response to Senator Bishop, explained that once an audit had been released to the public, it was no longer necessary for each legislator's office to return the copies to the Legislative Audit Division. She described her division as the committee's fiscal staff. She noted that any contracts written by the committee would be facilitated by her division, in conjunction with Legislative Legal Counsel. She introduced her administrative staff, Sarita Knull and Stacy Nylen.

8:17:08 AM

CHAIR FAIRCLOUGH reiterated that the blue audit file should be kept safely secured in each legislator's office. She explained

that the committee endeavored to accommodate all reasonable requests in a timely manner. She pointed out that protocols had been established to ensure accountability and responsible contract management. She affirmed that the chair of the Legislative Budget and Audit Committee, as the communication conduit between the Alaska State Legislature and the consultants hired by the committee, would forward any requests for response to the consultants. She asked the committee to remember that any modeling and analysis requests would be limited to those pertaining to bills scheduled for hearing in committees. She clarified that requests by committee chairs would take precedence over individual legislators, and pointed out that any information received would be posted on the committee website. She reported that the following three current contracts with the committee would expire at the end of January, 2013: Roger Marks, Pedro Van Meurs, and DWA Energy Limited.

8:19:05 AM

CHAIR FAIRCLOUGH, in response to Senator Meyer, clarified that DWA Energy Limited was Dr. Wood, although the contract had not been utilized for some time.

SENATOR MEYER asked if there had been an Anchorage contact also working with Dr. Wood.

REPRESENTATIVE HAWKER, in response to Senator Meyer, said that the local contact had been Dan Dickinson; however, those contracts had been cancelled at the request of Mr. Dickinson, as he had contracts with oil and gas clients and had wanted to avoid any potential appearance of a conflict of interest.

8:20:34 AM

REPRESENTATIVE AUSTERMAN asked for more information on the contract which had been extended until 2014.

CHAIR FAIRCLOUGH replied that this contract was with PFC Energy, which analyzed oil and gas fiscal systems; and, as it appeared that oil and gas contracts would be discussed during the legislative session, it was prudent to retain the same contractor as previously used.

8:21:05 AM

SENATOR MEYER asked about an extension to the contract with Roger Marks.

CHAIR FAIRCLOUGH explained that contract extensions could be "frowned upon by the legislative offices that advise us on procurement and it would be better to go back out if the committee desires, and renegotiate a new contract to bring before the committee." She pointed out that the Legislative Budget and Audit Committee had power to authorize contracts up to \$25,000. She offered her belief that the contract with Roger Marks was "fairly small."

SENATOR MEYER asked to clarify that this contract could be extended up to \$25,000.

CHAIR FAIRCLOUGH explained that this current contract was larger than \$25,000, as it had different responsibilities. She clarified that she had not yet contacted Mr. Marks regarding a contract extension, either under the current guidelines, or for a new contract under \$25,000.

[8:22:42 AM](#)

SENATOR MEYER expressed his concern, opining that it would be prudent for more than one contractor to be available for consultation on any oil and tax legislation. He offered his belief that Roger Marks had knowledge of the Alaskan environment, and expressed his interest in retention of a contract with Mr. Marks, at least through the legislative session.

[8:23:31 AM](#)

CHAIR FAIRCLOUGH relayed that the current contract with Roger Marks had \$147,670 remaining and although she would suggest to "bring it before the committee and ask the committee to extend the contract, ... the committee does not have the parameters that the current contract was negotiated under." She acknowledged that she did not know whether Mr. Marks would extend under the current contract or consider under new contract negotiations. She offered to engage Mr. Mark's, at the committee's direction, and either extend the current contract, although she did not know the parameters of this contract, negotiate a new contract limited to \$25,000, or let the current contract expire.

[8:24:31 AM](#)

REPRESENTATIVE HAWKER pointed out that all the contracts, and the parameters, were posted on the Legislative Budget and Audit Committee website, in order to maintain an open and transparent manner.

CHAIR FAIRCLOUGH expressed her appreciation for the clarification, and observed that the new committee members should have the opportunity to review the current contracts. She offered to prepare a committee packet with all the information to allow all the members the opportunity to review the contracts.

[8:25:16 AM](#)

CHAIR FAIRCLOUGH asked Senator Meyer if he would like her to discuss with Mr. Marks his willingness to continue under the existing parameters.

REPRESENTATIVE AUSTERMAN expressed his agreement with Senator Meyer that it was necessary "to have the best people telling us exactly what's going on," and he suggested a group meeting to discuss the existing contracts and give the new committee members "a sense of exactly where this committee wants to go in reference to what's coming before us in reference to gas and oil."

CHAIR FAIRCLOUGH asked if the committee was available to meet in the near future.

SENATOR MEYER, in response to an earlier question from Chair Fairclough, stated that he would not be sure whether to extend the current contract with Mr. Marks until he had reviewed its parameters. He expressed his agreement with Representative Austerman for a review of the current contracts prior to a meeting for discussion. He offered to meet with Senator Giessel, Chair of the Senate Resources Standing Committee, to discuss her thoughts for the gathering of information and the employment of additional consultants.

[8:27:16 AM](#)

CHAIR FAIRCLOUGH, declaring that there was a protocol for specific requests, asked that any request be written and forwarded to her office. She endorsed a committee meeting prior to the expiration of the current contracts on January 31, 2013 to allow the committee the opportunity to extend any contracts it desired.

SENATOR MEYER expressed his approval and offered his belief that "we need our own consultants to bounce off ideas and challenge the facts and figures that the administration's going to be presenting to us."

[8:28:17 AM](#)

REPRESENTATIVE JOSEPHSON asked to clarify that the contract with DWA Energy Limited had been suspended.

CHAIR FAIRCLOUGH, in response, confirmed that it had been suspended.

[8:28:28 AM](#)

ADJOURNMENT

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 8:29 a.m.