

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

Anchorage, Alaska

August 22, 2013

1:32 p.m.

MEMBERS PRESENT

Senator Anna Fairclough, Chair
Representative Mike Hawker, Vice Chair
Senator Kevin Meyer (via teleconference)
Senator Click Bishop
Senator Cathy Giessel
Representative Alan Austerman
Representative Bob Herron
Representative Andy Josephson
Senator Mike Dunleavy (alternate)
Representative Scott Kawasaki (alternate) (via teleconference)

MEMBERS ABSENT

Senator Donald Olson
Representative Kurt Olson
Representative Bill Stoltze (alternate)

COMMITTEE CALENDAR

APPROVAL OF MINUTES
REVISED PROGRAM - LEGISLATIVE (RPLs)
EXECUTIVE SESSION
RELEASE OF AUDITS
OTHER COMMITTEE BUSINESS

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 regarding RPL 05-04-0012 and RPL 09-4-0020.

SUSAN COLLIGAN, Director

Administrative Services Division
Department of Military & Veterans' Affairs (DMVA)
Fort Richardson, Alaska

POSITION STATEMENT: Responded to a question during discussion of RPL 09-4-0020.

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

POSITION STATEMENT: Provided information regarding the performance reviews of state departments as required by HB 30.

ACTION NARRATIVE

[1:32:49 PM](#)

CHAIR ANNA FAIRCLOUGH called the Legislative Budget and Audit Committee meeting to order at 1:32 p.m. Present at the call to order were Senators Fairclough, Meyer (via teleconference), Bishop, and Giessel, and Representatives Austerman, Herron, Josephson, Kawasaki (alternate) (via teleconference), and Hawker. Senator Dunleavy (alternate) arrived as the meeting was in progress.

Approval of Minutes

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CHAIR FAIRCLOUGH referred to the first order of business, that being the approval of the minutes.

[1:34:27 PM](#)

REPRESENTATIVE HAWKER made a motion to approve the minutes of April 6, 2013.

CHAIR FAIRCLOUGH objected, and noted that those minutes should be corrected throughout with regard to Representative Hawker's title. She asked, therefore, that those minutes be so corrected, and received confirmation that they would be.

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CHAIR FAIRCLOUGH then ascertained that there were no other objections, and announced that the minutes from the meeting of April 6, 2013, were approved.

Revised Program - Legislative (RPLs)

[1:35:36 PM](#)

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

[1:35:45 PM](#)

DAVID TEAL, Legislative Fiscal Analyst, Legislative Finance Division, Alaska State Legislature, directed attention to RPL 05-04-0012, Department of Education and Early Development, Harper Arts Touring Program and Youth Cultural Heritage Program. He explained that the Alaska State Council on the Arts (ASCA) and the Department of Education and Early Development (EED) are requesting the authority to receive and spend an additional \$160,000 in statutory designated program receipts from the Rasmuson Foundation in order to continue the administration of the Harper Arts Touring Program and begin a new program, the Youth Cultural Heritage Program. Two previously-approved RPLs addressing this same purpose are included in members' packets, and if the current request is approved, the funding for the two programs would be increased from \$220,000 to \$380,000 in 2014. There would be no general fund (GF) match required, there would be no new positions, and there are no technical problems with the RPL. In response to a question, he indicated that no matching funds would be required.

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REPRESENTATIVE HAWKER made a motion to approve RPL 05-04-0012. There being no objection, RPL 05-04-0012 was approved.

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MR. TEAL then referred to RPL 09-4-0020, Department of Military & Veterans' Affairs, National Guard Counterdrug Support, and explained that the Department of Military & Veterans' Affairs (DMVA) is requesting the authority to receive \$150,000 in [additional] federal receipts - related to a fiscal year 2013 (FY 13) capital project - for the DMVA's National Guard Counterdrug Support program. The federal government seizes and sells assets from drug traffickers and the proceeds are shared

with organizations participating in the U.S. Department of Justice's (DOJ's) Asset Forfeiture Program, organizations such as Alaska's DMVA. This funding supports law enforcement agencies in drug enforcement operations, training drug enforcement officers, and providing community-based drug-awareness programs. There are no technical problems with the RPL.

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REPRESENTATIVE HAWKER questioned whether approving the RPL would result in [a violation] of the federal Posse Comitatus Act (PCA). He related that the use of U.S. military forces to enforce civil law is generally not an allowable activity.

MR. TEAL relayed that there has been a capital project for such purposes for a number of years, generally in the amount of \$100,000 per year. Again, such funding is used in part for training drug enforcement officers, and providing community-based drug-awareness programs.

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SUSAN COLLIGAN, Director, Administrative Services Division, Department of Military & Veterans' Affairs (DMVA), added that as far as she is aware, there would be no such problems with approving the RPL, but she would research the issue further for the committee. The DMVA has been participating in the DOJ's Asset Forfeiture Program since 1999, and the funding has been used for educational programs within the schools, and for providing support to law enforcement agencies.

REPRESENTATIVE HAWKER indicated that his concern was satisfied.

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REPRESENTATIVE HAWKER made a motion to approve RPL 09-4-0020. There being no objection, RPL 09-4-0020 was approved.

Executive Session

[1:43:14 PM](#)

CHAIR FAIRCLOUGH announced that the committee would next go into executive session.

REPRESENTATIVE HAWKER made a motion to move to executive session under Uniform Rule 22 for the purpose of discussing confidential audit reports under AS 24.20.301. There being no objection, the committee went into executive session at 1:44 p.m.

[3:30:16 PM](#)

CHAIR FAIRCLOUGH called the Legislative Budget and Audit Committee back to order at 3:29 p.m. Present at the call back to order were Senators Fairclough, Bishop, Giessel, and Dunleavy (alternate), and Representatives Austerman, Herron, Josephson, and Kawasaki (alternate) (via teleconference).

Release of Audits

[3:30:30 PM](#)

SENATOR GIESSEL made a motion for the final audit report of the State of Alaska, single audit for the fiscal year ended June 30, 2012, to be re-released to the public. There being no objection, it was so ordered.

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SENATOR GIESSEL made a motion for the following preliminary audits to be released to the appropriate agency for response: Department of Commerce, Community & Economic Development - Regulatory Commission of Alaska, sunset review; Department of Commerce, Community & Economic Development - Board of Chiropractic Examiners, sunset review; Department of Commerce, Community & Economic Development - Board of Marital and Family Therapy, sunset review; Department of Commerce, Community & Economic Development - Board of Examiners in Optometry, sunset review; Department of Commerce, Community & Economic Development - State Physical Therapy and Occupational Therapy Board, sunset review; Department of Commerce, Community & Economic Development - Board of Certified Real Estate Appraisers, sunset review; Department of Public Safety - Council on Domestic Violence and Sexual Assault, sunset review; Department of Health and Social Services - Alaska Health Care Commission, sunset review; and Department of Natural Resources - Agriculture Revolving Loan Fund, select issues. There being no objection, the aforementioned preliminary audits were released to the appropriate agency for response.

Other Committee Business

3:31:59 PM

CHAIR FAIRCLOUGH relayed that the first issue to be addressed under other committee business relates to a previous request for a special audit of the Alaska Regional Development Organizations (ARDORs) program.

3:32:13 PM

KRISTIN CURTIS, Legislative Auditor, Division of Legislative Audit, Alaska State Legislature, explained that an audit request for the ARDORs program was approved at an earlier meeting but the ARDOR program was not extended and thus no longer exists. At issue, therefore, is whether the committee wishes to terminate that particular audit request.

CHAIR FAIRCLOUGH offered her understanding that the audit's requester has indicated she would be amenable to whatever the committee decided.

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REPRESENTATIVE AUSTERMAN inquired as to when a report would be available were the audit to proceed.

MS. CURTIS reminded the committee that the intent of the audit was to review the program. Therefore, the audit would be started next year and with something available for the session after that. She recalled that the thought had been to provide a three-year extension, which would be enough time to consider the audit results. Since there is no program to audit, Ms. Curtis was unsure as to whether the division could perform an audit as originally envisioned.

REPRESENTATIVE AUSTERMAN pointed out, however, that if the old program was audited, then there would be something to audit. He related his understanding that there will be efforts to reinstate the program, and therefore the information from an audit of the old ARDOR program would be good to have in January.

MS. CURTIS acknowledged that the old program could be reviewed. Since there was much testimony, the concerns could be identified, including the charge that some agencies were more productive than others in the type of information being used to award a grant. The audit, however, wouldn't be available during the next session but rather the session after that.

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REPRESENTATIVE HERRON questioned why the committee doesn't suspend the request for now and then see what happens in the next session.

MS. CURTIS characterized Representative Herron's suggestion as reasonable, particularly since terminating an audit request is unusual.

CHAIR FAIRCLOUGH suggested that it would also be reasonable to withdraw what is before the committee today so that the committee knows what is out there, unless there is a desire to instead review the situation retrospectively. To review the situation retrospectively would be an amendment to the current request, she noted.

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REPRESENTATIVE JOSEPHSON asked whether an audit could be completed by January 2015 if the ARDORs were reinstated. He, too, noted that he has heard anecdotally of interest in reinstating the ARDORs. If the ARDORs aren't funded until July 2014, at the earliest, then there wouldn't have been too much time wasted.

MS. CURTIS said that if the ARDORs are funded and begin to operate in July, the situation would be the same as it is now in that it would really be a retrospective review of the organization. The division wouldn't be able to evaluate the results of any new change. She acknowledged, however, after a look back there could be a determination as to whether there were any new changes made to the program and whether they were effective.

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REPRESENTATIVE HERRON opined that the chance of ARDORs returning is very good, and therefore he requested suspending the request until further notice.

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CHAIR FAIRCLOUGH related her understanding that some ARDORs have more funding resources from entities outside of the state, and thus there will be ARDORs that struggle without the state. Chair Fairclough noted that folks were nodding in agreement.

REPRESENTATIVE JOSEPHSON relayed that the Alaska Economic Development Corporation (AEDC) is one such ARDOR.

[3:39:06 PM](#)

CHAIR FAIRCLOUGH related her understanding that the committee wishes to keep Ms. Curtis on task with regard to being able to provide the committee with information in the future. Therefore, she inquired as to whether Ms. Curtis could offer any language to modify the audit request in order to compare the various ARDORs.

MS. CURTIS relayed that the division could change the language of the audit request such that it looks more retrospectively. This audit isn't going to be started for six to eight months, which is quite a bit of time during which something could happen. At the time the audit request is to be started, the language can again be reviewed to determine how to proceed. In fact, she suggested that rather than making changes now, the changes could be made closer to the start date of the audit.

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CHAIR FAIRCLOUGH mentioned that the committee will have a meeting in October, and thus the committee could work with the original audit requester between now and October. To that end, the committee agreed to consider the issue in October, she announced.

[3:41:43 PM](#)

CHAIR FAIRCLOUGH relayed that the second issue to be addressed under other committee business relates to subcommittee assignments.

The committee took a brief at-ease.

[Contains discussion of HB 30.]

[3:42:30 PM](#)

CHAIR FAIRCLOUGH turned the committee's attention to the Subcommittee on Performance Review, which is necessary due to the work the Legislative Budget and Audit Committee was tasked with as a result of HB 30. She inquired as to what the subcommittee might do.

3:43:02 PM

MS. CURTIS explained that HB 30 requires performance reviews of every state department over a 10-year span of time. The first performance review is the Department of Corrections (DOC) and it's already behind schedule. The Subcommittee on Performance Review is tasked with approving the scope of the review, which must occur prior to a request for proposals (RFP) for experts to lead the review team. Therefore, some form of structure is necessary in order to review the proposed scope, which will be the main purpose of the subcommittee. Also, the Legislative Budget and Audit Committee handbook must be amended in order to establish formal procedures related to how to conduct these reviews, including the report process. Currently, the division is in the process of drafting - with the assistance of the prior legislative auditor - the formal procedures for HB 30. Over the next month, she explained, that the draft scope and procedures need to be reviewed in order to take them up at the next meeting in October. Upon completion of the aforementioned, the division hopes to put out an RFP enabling the review team to be in place and working by the beginning of the next year. She explained that [the subcommittee] needs to have its reports drafted by September and released in December since the reports have to be provided to the chairs of the House and Senate Finance Committees a week or two prior to the beginning of session. The hope is to establish a process by which the division can perform the work, which is all new work, and start earlier for the next department.

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REPRESENTATIVE AUSTERMAN inquired as to how Ms. Curtis prioritizes the audits. He further inquired as to whether [the division] is mandated by regulation or statute.

MS. CURTIS related her approach that audits and HB 30 are separate and different matters because HB 30 reviews aren't audits, aren't connected to standards, and won't use auditing staff. The division has hired an individual who will lead this process and with whom Ms. Curtis will work to draft the scope. With regard to prioritizing, Ms. Curtis pointed out that the statute drives and guides all of the division's work. On the audit side, the Comprehensive Annual Financial Report (CAFR) that needs to be audited with an opinion out by December 15. Therefore, the CAFR is the priority. She informed the committee that there is a federal requirement for a single audit by the

end of March and then the sunset audits are statutorily required to be complete. When the division has resources it performs special audit requests, which she characterized as the lowest on the priority list. She pointed out that HB 30 is statutorily driven in terms of the timeline.

REPRESENTATIVE AUSTERMAN recalled a presentation by New Mexico regarding its audit system at the recent Council of State Governments (CSG). The New Mexico [audit system] focused more on the savings in dollars for the state. He expressed interest in having such a conversation at the upcoming October meeting. Representative Austerman expressed his concern with underfunding the Division of Audit because of the requirements in place.

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CHAIR FAIRCLOUGH appointed the following members to the Subcommittee on Performance Review: Senator Fairclough, Senator Bishop, Representative Hawker, Representative Herron, and Representative Kawasaki. Upon a poll she determined the willingness of the appointed members to the subcommittee in attendance, and noted she had also spoken with Representative Hawker who is willing to serve as well. She then informed the committee that the release of documents for review will occur at the October meeting. There was then discussion regarding the date of the next meeting.

[3:52:25 PM](#)

ADJOURNMENT

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 3:52 p.m.