

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

Anchorage, Alaska

October 28, 2014

2:00 p.m.

MEMBERS PRESENT

Senator Anna Fairclough, Chair
Representative Mike Hawker, Vice Chair
Senator Click Bishop (via teleconference)
Senator Cathy Giessel
Representative Bob Herron
Representative Kurt Olson
Representative Andy Josephson
Representative Scott Kawasaki (alternate)

MEMBERS ABSENT

Senator Kevin Meyer
Senator Donald Olson
Representative Alan Austerman
Senator Mike Dunleavy (alternate)
Representative Bill Stoltze (alternate)

COMMITTEE CALENDAR

APPROVAL OF MINUTES
EXECUTIVE SESSION
OTHER COMMITTEE BUSINESS

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

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

POSITION STATEMENT: Provided information regarding the amended motions for the performance review of the Department of Health and Social Services (DHSS) organizational structure and the IT system audit assistance related to the new Medicaid system.

ACTION NARRATIVE

[2:00:20 PM](#)

CHAIR ANNA FAIRCLOUGH called the Legislative Budget and Audit Committee meeting to order at 2:00 p.m. Senators Giessel, Bishop (via teleconference), and Fairclough and Representatives Josephson, Herron, Olson, and Hawker were present at the call to order. Representative Kawasaki (alternate) arrived as the meeting was in progress.

Approval of Minutes

[2:01:10 PM](#)

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

[2:01:22 PM](#)

REPRESENTATIVE HAWKER made a motion to approve the minutes of the August 6, 2014, meeting. There being no objection, the minutes from the meeting of August 6, 2014, were approved.

Executive Session

[2:01:37 PM](#)

CHAIR FAIRCLOUGH announced that the committee would move into Executive Session to discuss confidential audit reports and a compensation study.

[2:01:45 PM](#)

REPRESENTATIVE HAWKER made a motion to move to executive session as provided under Uniform Rule 22(b)(1) and (3) since the meeting would involve a discussion of matters that the immediate knowledge of which would adversely affect the finances of a government unit and under AS 24.20.301 to discuss confidential audit reports. There being no objection, the committee went into executive session at 2:03 p.m.

Other Committee Business

[5:15:34 PM](#)

CHAIR FAIRCLOUGH brought the committee back to order at 5:15 p.m. Members present were Senators Giessel and Fairclough and

Representatives Josephson, Herron, Olson, and Hawker. She mentioned that Representative Kawasaki had been in attendance during the Executive Session.

[5:16:44 PM](#)

REPRESENTATIVE HAWKER made a motion for the Department of Corrections Performance Review preliminary audit be released to the appropriate agency for response. There being no objection, it was so ordered.

[5:17:12 PM](#)

REPRESENTATIVE HAWKER made a motion for the previously approved motion to authorize the legislative auditor to solicit and award a contract for an amount not to exceed \$250,000 for a performance review of the Department of Health and Social Services organizational structure to be amended to an amount not to exceed \$300,000.

[5:17:49 PM](#)

KRIS CURTIS, Legislative Auditor, Division of Legislative Audit, Alaska State Legislature, explained that the Request for Proposals (RFP) for the performance review of DHSS was deemed nonresponsive as there was only one bidder, and therefore it was canceled. Potential bidders relayed that the amount of the RFP, not to exceed \$250,000, was not enough. Therefore, she requested that the committee authorize an increase to an amount not to exceed \$300,000.

CHAIR FAIRCLOUGH, upon determining there were no objections, announced that the motion was approved.

[5:18:49 PM](#)

REPRESENTATIVE HAWKER made a motion for the legislative auditor to solicit and award a contract for an amount not to exceed \$100,000 for IT system audit assistance related to the new Medicaid system in lieu of the performance audit that was previously approved on February 25, 2014.

MS. CURTIS explained that the previously approved audit was not procured; the system was in such a state that the controls were not functioning. Therefore, it wouldn't have been a prudent use of resources to spend funds on an audit of that system at that time. At this point, the department has processed several fixes

to the system, and therefore evidence as to the effectiveness of those fixes is necessary in order to gain evidence as to whether there is a material misstatement in the financial statements as the system interfaces approximately \$1.5 billion into the state's accounting system. Ms. Curtis clarified that she is requesting a revision to the previous approval as there is a different focus on the work.

CHAIR FAIRCLOUGH, upon determining there was no objection, announced the motion was approved.

5:20:35 PM

REPRESENTATIVE HAWKER made a motion and asked unanimous consent to set the pay range for the legislative audit director to range 29 effective July 1, 2014, with no change in step but an amended anniversary date per AS 39.27.011(h). Representative Hawker noted that this matter was discussed in Executive Session as is the case for all personnel matters. Over the past several years, the committee has been concerned that the Legislative Audit Division has had increasing responsibilities with almost decreasing resources with which to accomplish them. Furthermore, the amount paid to the executive director [of the Alaska Legislative Audit Division] is less than that of a commensurate position elsewhere in the country. The increase in range would make the pay commensurate. He explained that the intent of the effective date of July 1, 2014, is so that the funds would be taken out of the current year's budget. Next year that increase will be absorbed into the Legislative Budget & Audit Committee budget. Representative Hawker, speaking on behalf of the committee, strongly urged Ms. Curtis to fill the deputy position so that Ms. Curtis has someone on which to lay off some of the executive responsibilities. The committee, he emphasized, does not intend for the legislative auditor to work hundreds of uncompensated hours, rather, the intent is for the legislative auditor to have adequate resources and be compensated fairly and commensurately with peers. He said that the Legislative Budget and Audit Committee will continue to look at the Legislative Audit Division as a whole as well as all legislative agencies to ensure positions are properly classified and compensated.

5:23:42 PM

CHAIR FAIRCLOUGH, upon determining there were no objections, announced the motion was approved.

5:23:57 PM

CHAIR FAIRCLOUGH announced that the other items on the committee's agenda will be taken up tomorrow morning when this meeting is continued.

5:25:17 PM

ADJOURNMENT

The Legislative Budget and Audit Committee was recessed at 5:25 p.m. to be reconvened on October 29, 2014, at 8:00 a.m. [The meeting reconvened October 29, 2014.]