

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

February 26, 2015

3:34 p.m.

MEMBERS PRESENT

Representative Mike Hawker, Chair
Representative Kurt Olson
Representative Lance Pruitt
Representative Steve Thompson
Representative Sam Kito
Representative Mark Neuman (alternate)

Senator Anna MacKinnon, Vice Chair
Senator Cathy Giessel
Senator Bert Stedman
Senator Pete Kelly (alternate)

MEMBERS ABSENT

Senator Lyman Hoffman
Senator Click Bishop

COMMITTEE CALENDAR

APPROVAL OF MINUTES

AUDIT: ALASKA STATE LEGISLATURE FINANCIAL STATEMENT AND AUDIT
REPORT

EXECUTIVE SESSION

RELEASE OF CONFIDENTIAL PRELIMINARY STATEWIDE SINGLE AUDIT FY 14

OTHER COMMITTEE BUSINESS

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

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

POSITION STATEMENT: Provided information on the Alaska State
Legislature Financial Statement and Audit Report.

ACTION NARRATIVE

[3:34:56 PM](#)

CHAIR MIKE HAWKER called the Legislative Budget and Audit Committee meeting to order at 3:34 p.m. Representatives Hawker, Pruitt, Thompson, and Kito and Senators MacKinnon, Giessel, and Stedman were present at the call to order. Representatives Olson and Neuman (alternate) and Senator Kelly (alternate) arrived as the meeting was in progress.

Approval of Minutes

[3:35:56 PM](#)

CHAIR HAWKER announced that the first order of business would be the approval of the minutes from the Legislative Budget and Audit Committee meetings of January 21, 2015 and February 12, 2015.

SENATOR MACKINNON made a motion to approve the minutes of January 21, 2015. There being no objection, the minutes from the meeting of January 21, 2015 were approved.

SENATOR MACKINNON made a motion to approve the minutes of February 12, 2015. There being no objection, the minutes from the meeting of February 12, 2015 were approved.

Audit: Alaska State Legislature Financial Statement and Audit Report

[3:37:06 PM](#)

CHAIR HAWKER announced that the next order of business would be the preliminary review of the Alaska State Legislature Financial Statement and Audit Report.

[3:37:24 PM](#)

KRISTIN CURTIS, Legislative Auditor, Division of Legislative Audit, Alaska State Legislature, explained that each member had a copy of the Alaska State Legislature's schedule of appropriations, expenditures, and encumbrances, and the schedule of revenues for the fiscal year ended June 30, 2014. She relayed that this audit was conducted annually, and that the

independent auditor had provided an unmodified opinion that the schedules were free from material misstatement.

[3:38:10 PM](#)

MS. CURTIS, in response to Chair Hawker, directed attention to the letter attached to the audit report, as required by auditing standards, which listed several things required by auditors to report.

CHAIR HAWKER asked if the letter referenced any items of concern to the committee.

MS. CURTIS replied that there were no items of concern.

CHAIR HAWKER declared that acceptance of the report required no further action on behalf of the committee.

Executive Session

[3:38:55 PM](#)

CHAIR HAWKER announced that the next order of business would be an executive session.

[3:39:00 PM](#)

SENATOR MACKINNON 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 3:39 p.m.

[3:39:24 PM](#)

The committee took an at-ease from 3:39 p.m. to 4:34 p.m.

[4:34:34 PM](#)

CHAIR HAWKER brought the committee back to order at 4:34 p.m. Representatives Hawker, Pruitt, Thompson, Olson, and Kito and Senators MacKinnon, Giessel, Stedman, and Kelly (alternate), were present at the call to order.

Release of Confidential Preliminary Statewide Single Audit FY 14

[4:35:04 PM](#)

CHAIR HAWKER announced that the next order of business would be a release of the confidential preliminary audit to the agencies for response.

SENATOR MACKINNON made a motion for the preliminary audit for the Statewide Single Audit for the Fiscal Year ended June 30, 2014 to be released to the appropriate agencies for response. There being no objection, it was so ordered.

Other Committee Business

[4:35:40 PM](#)

CHAIR HAWKER announced that the next order of business would be a general audit services contract approval request [Included in members' packets].

MS. CURTIS asked that the Legislative Budget and Audit Committee consider and approve a request for the Division of Legislative Audit to solicit and award a contract for general audit services in support of the statewide audit for Fiscal Year (FY) 2015. She explained that the division would like to hire contract auditors to work under its supervision in order to help address vacancies and control of the workload. She reiterated that this request had been granted over the past few years to help control the workload.

CHAIR HAWKER asked if the amount requested was consistent with the amounts previously needed.

MS. CURTIS replied that the amount requested had fluctuated from \$50,000 up to \$250,000. She offered her belief that the current request for \$150,000 would meet the needs of the division for this year.

CHAIR HAWKER asked if the legislature had eliminated this item from its upcoming budget. He asked if Ms. Curtis had been directed to seek a change in the audit relationship for the fees charged to the administration for the services performed, and to increase those fees by \$450,000.

MS. CURTIS replied that this particular contract had not been referenced in the budget, as it was reviewed annually for its need and available authorization.

CHAIR HAWKER asked what had been removed from the budget.

MS. CURTIS replied that her division had asked for an increment for the Integrated Resource Information System (IRIS) system, which was coming on-line on July 1, 2015. She stated that this would require procurement of IT expertise in order to audit the system, as there was no one currently on staff with this expertise. She reported that part of this request had been allowed, and part had been denied. She shared that a one-time IT increment for the Medicaid Management Information System (MMIS) audit from the previous year, which had not been performed due to defects in the system, had been allowed to roll forward. She said that this \$100,000 had been allowed for application to the IRIS audit.

CHAIR HAWKER summarized that the requested \$150,000 was for the FY 15 audit, and had not been removed from future budgets.

MS. CURTIS explained that this request was for FY 15 authorization that was still available. She said that the audit services would be mostly completed by the end of June.

CHAIR HAWKER stated that the FY 16 request could be addressed at a later date.

[4:38:55 PM](#)

SENATOR MACKINNON moved to authorize the Legislative Auditor to solicit and award a contract for the statewide single audit assistance not to exceed \$150,000. There being no objection, it was so ordered.

[4:39:31 PM](#)

CHAIR HAWKER announced that the last few items on the agenda were updates on consulting services driven by the education bill [House Bill 278] during the previous year. The first was a review of the education foundation formula and the second was a more macro approach to the overall approach of statewide funding to education, which included requirements and needs, and would offer counsel for a methodology to adapt or incorporate into the current school funding approach. He shared that the procurement committee had selected a recipient to the request for proposal (RFP). He explained that the contract required a public hearing to provide the consultants a scoping venue and offer the public the opportunity to weigh in with the consultants. He reported that this education consultant public hearing would be held on Tuesday, March 10, at 7:30 a.m.

CHAIR HAWKER directed attention to the RFP for a micro review of the factors within the current school funding formula. He stated that there had not been any responses to this consultant RFP request. He mentioned the Ketchikan lawsuit brought questions to the foundation formula, noting that it was not clear what would need to be reviewed until that suit was stabilized. He allowed that the RFP contract for the aforementioned macro view of the education funding included a "pretty sophisticated review of the foundation formula."

CHAIR HAWKER pointed out that the next House Bill 30 performance review would be for the Department of Education and Early Development and school [foundation formula] funding.

[4:42:56 PM](#)

CHAIR HAWKER stated that, after consultation, the committee had decided not to go forward with the RFP request for a micro review of the school funding formula at this time, although he allowed that it was a future possibility dependent on the outcome of the Ketchikan lawsuit. He pointed out that this would be dependent on funding from the FY 16 budget. He expressed his enthusiasm for the aforementioned consultant group, stating "they're really an impressive group."

SENATOR MACKINNON asked if it was necessary to notify the Speaker of the House and the President of the Senate that there had not been a response to an RFP, and that, subsequently, a contract would not be let in accordance with the deadline.

CHAIR HAWKER offered to send a letter to the presiding officers to inform them of the situation, as a matter of courtesy; although, he opined that there was not a formal requirement to do so.

[4:45:02 PM](#)

CHAIR HAWKER addressed the current House Bill 30 performance review for Department of Health and Social Services, and noted that this process required public hearings in Anchorage, Fairbanks, Juneau, and other locations designated by the committee. He stated that the Juneau public meeting for this performance review was planned for March 17, at 7:30 a.m. and that there would be public noticing. He reiterated that the public meeting for statewide education funding would be on March 10.

4:46:03 PM

CHAIR HAWKER reported that the next performance review would be for the Department of Education and Early Development. He lauded a methodology developed by Senator MacKinnon for the previous scoping, and suggested that this process be repeated. He asked that Senator MacKinnon, Senator Giessel, and Representative Kito join him, as the chair, on a subcommittee to work with the auditor on the audit scoping for the House Bill 30 performance review on the Department of Education and Early Development.

4:47:06 PM

ADJOURNMENT

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 4:47 p.m.