

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

January 27, 2017

11:32 a.m.

**MEMBERS PRESENT**

Senator Gary Stevens, Chair  
Senator Anna MacKinnon  
Senator Cathy Giessel  
Senator Click Bishop (via teleconference)  
Senator Lyman Hoffman  
Senator Natasha von Imhof (alternate)

Representative Andy Josephson, Vice Chair  
Representative Scott Kawasaki  
Representative Paul Seaton  
Representative Ivy Spohnholz  
Representative Jennifer Johnston  
Representative Dan Ortiz (alternate)

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

ELECTION OF THE CHAIR  
ELECTION OF THE VICE CHAIR  
APPROVAL OF MINUTES  
LEGISLATIVE FINANCE DIVISION  
LEGISLATIVE AUDIT DIVISION  
EXECUTIVE SESSION  
CONSULTANT CONTRACTS

**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 on the role of the  
Legislative Finance Division.

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

**POSITION STATEMENT:** Provided information on the role of the Legislative Audit Division.

#### **ACTION NARRATIVE**

[11:32:55 AM](#)

**SENATOR MACKINNON** called the Legislative Budget and Audit Committee meeting to order at 11:32 a.m. Senators Stevens, MacKinnon, Giessel, Hoffman, Bishop (via teleconference), and Von Imhof (alternate), and Representatives Josephson, Kawasaki, Seaton, and Johnston were present at the call to order. Representatives Spohnholz and Ortiz (alternate) arrived as the meeting was in progress.

#### **Election of the Chair**

[11:33:45 AM](#)

SENATOR MACKINNON announced that the first order of business would be nominations for the chairman of the Legislative Budget and Audit Committee.

SENATOR HOFFMAN nominated Senator Gary Stevens as chairman of the Legislative Budget and Audit Committee for the 30th Alaska State Legislature, and he asked that nominations be closed. There being no objection, it was so ordered.

[11:34:22 AM](#)

CHAIR STEVENS offered opening comments, explained the role of the alternates on this committee, and announced that the next order of business would be nominations for the vice chair.

#### **Election of the Vice Chair**

[11:35:26 AM](#)

REPRESENTATIVE SEATON nominated Representative Andy Josephson as vice chairman of the Legislative Budget and Audit Committee for

the 30th Alaska State Legislature, and he asked that nominations be closed. There being no objection, it was so ordered.

### Approval of Minutes

[11:35:51 AM](#)

CHAIR STEVENS announced that the next order of business would be approval of the minutes.

[11:36:04 AM](#)

REPRESENTATIVE JOSEPHSON made a motion to approve the minutes of the Legislative Budget and Audit Committee of January 13, 2017. There being no objection, the minutes from the meeting of January 13, 2017 were approved.

### Legislative Finance Division

[11:36:24 AM](#)

CHAIR STEVENS announced that the next order of business would be a presentation from David Teal, Legislative Fiscal Analyst. He asked that Mr. Teal explain the interaction between the Legislative Finance Division and the committee.

[11:36:48 AM](#)

DAVID TEAL, Legislative Fiscal Analyst, Legislative Finance Division, Alaska State Legislature, introduced himself as the director of the division and explained that the division was "a non-partisan group of fiscal analysts." He shared that the division's primary interaction with the committee would be for revised program - legislative (RPLs), which he described as interim requests for additional authorization to spend money, mostly federal receipts, although this could also include other funds. He relayed that the administration would ask the committee for the authority to spend any additional funds, and that the Legislative Finance Division would review those requests, send them to the committee, and post them on the website. He reported that he would typically review these RPLs with the committee at the committee meeting. He noted that the division was also available to the full Legislature upon request. In response to Chair Stevens, he estimated that he had been in his position for 20 years.

### Legislative Audit Division

11:38:55 AM

CHAIR STEVENS announced that the next order of business would be a presentation from Kris Curtis, Legislative Auditor. He asked that Ms. Curtis explain the interaction between the Legislative Audit Division and the committee.

11:39:13 AM

KRISTIN CURTIS, Legislative Auditor, Legislative Audit Division, Alaska State Legislature, explained her role as the auditor, noting that she had been with the division for almost 25 years, and in her current role for more than 5 years. She introduced other members of her staff, noting that her division operated as the fiscal staff to the Legislative Budget and Audit Committee, and maintained the committee website. She directed attention to the memo [Included in members' packets] which outlined the responsibilities of the committee, and declared that the main function of the committee was to provide the legislature with fiscal analysis, budget reviews, and audits. She relayed that statutes gave the committee several powers which included the broad power to review revenue projections, state agency appropriation requests and expenditure of state funds, and the fiscal policy and procedures of the state government. She stated that the committee could make recommendations to the governor and the legislature, as appropriate. She declared that statutes also gave the committee oversight responsibilities, and, in some instances, designated the committee as the primary representative of the legislature. She pointed out that the aforementioned memo summarized some of the lesser known powers and responsibilities, and noted that, over the years, the committee had exercised these powers to different degrees at the discretion of the chair. She introduced the Legislative Budget and Audit Committee handbook [Included in members' packets] which detailed the authorizing statutes for the committee and identified the two permanent staff agencies, the Legislative Audit Division and the Legislative Finance Division. As provided for in statute, the committee was authorized to adopt rules for the conduct of its business and procedures per its functions. She directed attention to page 39 of the handbook which listed the formal rules as well as the dates of adoption. She offered her belief that the more significant areas included the approval and release of the audit reports and approval of the audit requests, as well as contracts and reimbursement for travel.

MS. CURTIS discussed the confidential report release procedures outlined on page 47 of the handbook. She emphasized that statute made the audit and performance review process confidential and that it was important for committee members and staff to take the necessary precautions to protect the confidentiality of these documents. She proclaimed that the reports should not be copied or distributed. She explained that the reports were first brought to the committee as a preliminary report and distributed for discussion during the executive session at a committee meeting. At this time, she would review the recommendations and conclusions presented in the report. When the committee comes out of executive session, it would vote whether to release the report to the agency being reviewed for that agency's formal comments. These formal comments would be forwarded to Ms. Curtis for review, and would remain confidential. She would add these comments to the preliminary report and return it to the committee as a final report, at least two days prior to the Legislative Budget and Audit Committee meeting. These reports would be delivered in a sealed envelope, marked Confidential, and would be printed on blue paper in order to distinguish this confidential document from other documents. She stated that these reports would then be discussed during an executive session and, after exiting the executive session, a vote would be taken to release the report as a final public document. In response to Chair Stevens, she clarified that confidentiality would end after the committee released the report as a public document.

[11:44:41 AM](#)

MS. CURTIS reported on the current status of audit work. She directed attention to the matrix of current audits [Included in members' packets]. She relayed that currently there were 6 performance audit requests, 11 sunset audits, and the FY16 federal and financial audit to be completed. She explained that the audits were prioritized by statutory or legal requirement, and that performance audits were conducted as resources allowed. She stated that there were 11 entities with termination dates in 2018 which had to be completed in the year prior to termination. Although it was unusual to have so many entities terminating in one year, accommodations had been made to ensure that all of these audits would be released by the end of the year. She reported that the oldest of the six performance audits was a 2008 audit request related to the [Matanuska Maid dairy plant], in which the division had been asked "to follow the dispossession of assets and report on whether they were disposed in accordance with laws, regulations." She noted that, as the

final piece of property in Palmer had just been sold, this audit request could now be finished. She relayed that the next oldest audit was requested in 2014 by Representative Austerman regarding the MV Tustumena overhaul and refurbishment. This audit was 15 percent complete, but had been placed on hold, as litigation had begun. She shared that she had been informed during the past week by Department of Transportation & Public Facilities that this litigation had been concluded; therefore, the audit could now be completed. She moved on to list the 2016 audit request on the Board of Game Advisory Committee and the three audits requested during December, 2016, which included audit requests for the Alaska Mental Health Trust Authority and the Alaska Gasline Development Corporation. She reiterated that these audits would begin when resources allowed, offering her belief that performance audits would not be started until late fall, 2017. She moved on to discuss the FY16 financial and federal compliance audits, reporting that, in May, 2016, she had sent a letter to the Director of the Office of Management & Budget, the Commissioner of Department of Administration, and the Director of the Division of Finance to inform them that she anticipated these audited statements "would be significantly late" and the legislators would not know the audited balances when they arrived for session. When the legislative session began, she had sent a letter to the legislative leadership updating the status of the audits. She stated that, although she had not received the draft financial statements in order to start the audit, other audit work without draft statements was progressing. She explained that implementation of the new state accounting system had made it difficult to prepare financial statements. She expressed her anticipation for reception of these financial statements in the next few days, after which it would take about two and a half months to complete the audit.

[11:48:38 AM](#)

SENATOR HOFFMAN asked, regarding the audit on the MV Tustumena, whether the substantial delay due to the subsequent lawsuit had affected the premise for the need of the audit. He suggested that this question be placed to Representative Austerman.

MS. CURTIS, in response, explained that the audit request was based on the challenges by the state for getting the MV Tustumena back into the water after its refurbishment, and the problems with the vendor responsible for the work. She proposed to review the results of the litigation and then respond to the committee, noting that there were now new issues with the MV Tustumena. She offered to discuss at a later date whether the

committee desired to continue with the audit, terminate the request, or alter it.

CHAIR STEVENS expressed his desire to further the discussion when Ms. Curtis was prepared.

[11:50:47 AM](#)

REPRESENTATIVE KAWASAKI asked about the process to terminate an audit.

MS. CURTIS, in response, said that there were formal, adopted rules of procedure for termination of an audit request, explaining that it would take a vote of the committee. She shared that, historically, once an audit was requested, it would take something more significant than a change in leadership to terminate.

REPRESENTATIVE KAWASAKI asked when the post audits were available for members.

MS. CURTIS replied that she did not perform those audits, although with some outside corporations, she did approve their hired auditors. She said that the final drafts of outside audits were typically available by mid-October, although there had been a delay in several outside audits during this year which had further contributed to the problems of the financial statements.

SENATOR BISHOP, in response to Chair Stevens, opined that the original discussion around the MV Tustumena had centered on some of the welding procedures, and that, after the due diligence, the audit would no longer be necessary.

### **Executive Session**

[11:53:26 AM](#)

CHAIR STEVENS announced that the next order of business would be to move into Executive Session.

[11:53:41 AM](#)

REPRESENTATIVE JOSEPHSON made a motion to move to executive session under Uniform Rule 22(b)(1) for the purpose of discussing matters, the immediate knowledge of which would adversely affect the finances of a government unit and Uniform

Rule 22(b)(3), discussion of a matter that may, by law, be required to be confidential. There being no objection, the committee went into executive session at 11:54 a.m.

[11:54:11 AM](#)

The committee took an at-ease from 11:54 a.m. to 12:57 p.m.

[12:57:07 PM](#)

CHAIR STEVENS brought the committee back to order at 12:57 p.m.

### **Consultant Contracts**

[12:57:16 PM](#)

REPRESENTATIVE JOSEPHSON moved that the Legislative Budget and Audit Committee approve Amendment 1 to the professional services contract with Enalytica, Inc. in the amount of \$20,000 for the period of February 1, 2017 - May 31, 2017 and the Section 04.08.1 exemption per the Alaska Legislature procurement procedures.

CHAIR STEVENS explained that, as the end of these contracts approached, he wanted to ensure that advisement was available until there were additional contracts.

CHAIR STEVENS, in response to Senator MacKinnon, added that these contracts were only as needed and there was not any automatic monthly stipend.

A roll call vote was taken. Representatives Kawasaki, Seaton, Spohnholz, Johnston, and Josephson and Senators MacKinnon, Giessel, Hoffman, and Stevens voted in favor of the amendment to the contract with Enalytica, Inc. Therefore, the amendment was reported out of the Legislative Budget and Audit Committee by a vote of 9 - 0.

[12:59:25 PM](#)

REPRESENTATIVE JOSEPHSON moved that the Legislative Budget and Audit Committee approve Amendment 1 to the professional services contract with Hart Energy Publishing LLLP for the period of February 1, 2017 - June 30, 2017 and the Section 04.08.1 exemption per the Alaska Legislature procurement procedures.

CHAIR STEVENS reiterated that these contracts were only as needed and to ensure that advisement was available until there were additional contracts.

[1:00:02 PM](#)

A roll call vote was taken. Representatives Kawasaki, Seaton, Spohnholz, Johnston, and Josephson and Senators MacKinnon, Giessel, Hoffman, and Stevens voted in favor of the amendment to the contract with Hart Energy Publishing LLLP. Therefore, the amendment was reported out of the Legislative Budget and Audit Committee by a vote of 9 - 0.

[1:00:43 PM](#)

REPRESENTATIVE JOSEPHSON moved that the Legislative Budget and Audit Committee approve Amendment 1 to the professional services contract with Roger Marks for the period of February 1, 2017 - June 30, 2017.

CHAIR STEVENS reiterated that these contracts were only as needed and to ensure that advisement was available until there were additional contracts.

[1:01:03 PM](#)

A roll call vote was taken. Representatives Kawasaki, Seaton, Spohnholz, Johnston, and Josephson and Senators MacKinnon, Giessel, Hoffman, and Stevens voted in favor of the amendment to the contract with Roger Marks. Therefore, the amendment was reported out of the Legislative Budget and Audit Committee by a vote of 9 - 0.

[1:01:35 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 1:01 p.m.