

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

December 13, 2018

10:04 a.m.

**MEMBERS PRESENT**

Senator Bert Stedman, Chair  
Senator Anna MacKinnon (via teleconference)  
Senator Cathy Giessel  
Senator Click Bishop (via teleconference)  
Senator Natasha von Imhof (alternate)

Representative Andy Josephson, Vice Chair (via teleconference)  
Representative Paul Seaton  
Representative Jennifer Johnston  
Representative Dan Ortiz (alternate)

**MEMBERS ABSENT**

Senator Lyman Hoffman  
  
Representative Scott Kawasaki  
Representative Ivy Spohnholz

**COMMITTEE CALENDAR**

APPROVAL OF THE AGENDA  
APPROVAL OF MINUTES  
APPROVAL OF RPL(S)  
SPECIAL AUDIT REQUESTS  
APPROVAL OF SPECIAL AUDIT REQUEST  
EXECUTIVE SESSION  
FINAL AUDIT REPORTS  
PRELIMINARY AUDIT REPORTS

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

AMANDA RYDER, Fiscal Analyst  
Legislative Finance Division  
Legislative Agencies and Offices  
Juneau, Alaska

**POSITION STATEMENT:** Testified and answered questions on RPLs.

ROB CARPENTER, Fiscal Analyst  
Legislative Finance Division  
Legislative Agencies and Offices  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions on RPL 25-9-8623.

REPRESENTATIVE LES GARA  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Testified during the discussion of the special audit request DHSS (HB 151).

KRIS CURTIS, Legislative Auditor  
Legislative Audit Division  
Legislative Agencies and Offices  
Juneau, Alaska

**POSITION STATEMENT:** Testified and answered questions on the special audit request for the Department of Health and Social Services, Office of Children's Services.

#### **ACTION NARRATIVE**

[10:04:46 AM](#)

**CHAIR BERT STEDMAN** called the Legislative Budget and Audit Committee meeting to order at 10:04 a.m. Representatives Seaton, Johnston, Josephson (via teleconference), and Ortiz (alternate), and Senators Stedman, MacKinnon (via teleconference), Bishop (via teleconference), Giessel, and Von Imhof (alternate) were present at the call to order.

#### **APPROVAL OF THE AGENDA**

[10:06:10 AM](#)

CHAIR STEDMAN announced that the first order of business would be the approval of the agenda.

[10:06:20 AM](#)

SENATOR GIESSEL moved that the Legislative Budget and Audit Committee approve the agenda.

[10:06:32 AM](#)

CHAIR STEDMAN objected for the purpose of discussion. He stated that during the executive session the committee will consider preliminary audits before the final audits.

[10:06:43 AM](#)

CHAIR STEDMAN removed his objection. There being no further objection, the agenda, as revised, was approved.

**APPROVAL OF MINUTES**

[10:06:57 AM](#)

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

[10:07:06 AM](#)

SENATOR GIESSEL moved that the Legislative Budget and Audit Committee approve the minutes of the October 9, 2018 meeting, as presented. There being no objection, the minutes of the October 9, 2018, meeting were approved.

**APPROVAL OF RPL(s)**

[10:07:21 AM](#)

CHAIR STEDMAN announced that the next order of business would be the approval of the Revised Program Legislative (RPLs).

[10:07:47 AM](#)

The committee took a brief at ease.

[10:09:07 AM](#)

CHAIR STEDMAN announced the first order of business for RPLs would be agenda item IV. (a)-(i). He asked Ms. Ryder to introduce the first RPL.

[10:09:47 AM](#)

AMANDA RYDER, Fiscal Analyst, Legislative Finance Division, Legislative Agencies and Offices, offered to provide a brief summary of each RPL and pause for questions.

MS. RYDER explained that RPL 02-9-0056, the Office of Public Advocacy (OPA), Department of Administration (DOA), requests \$144,700 of federal receipt authority. OPA received a federal grant totaling \$600,661 over three years from fiscal year 2019-2021 (FY 19-21) to address the opioid epidemic in Alaska. She stated that no match is required. She said a similar request is expected in the [FY 20] budget for the remainder of the grant.

[10:10:26 AM](#)

CHAIR STEDMAN asked whether there were any questions on RPL 02-9-0056 and there were none. He moved to the next RPL.

[10:10:30 AM](#)

MS. RYDER explained that RPL 08-9-0121, the Division of Insurance (DOI), Department of Commerce, Community & Economic Development (DCCED), requests \$199,700 of federal receipt authority in order to receive and expend grant funding from the Centers for Medicare and Medicaid Services. This funding would be used to assess whether health care plans were meeting Alaskans' needs, analyze accessibility and affordability of health care coverage, and conduct an economic and actuarial research and analysis regarding accessibility to affordable health care coverage and to develop recommendations. The remainder of the grant award will be requested in the FY 20 budget and no match is required.

[10:11:15 AM](#)

CHAIR STEDMAN asked whether there were any questions on RPL 08-9-0121 and there were none. He moved to the next RPL.

[10:11:20 AM](#)

MS. RYDER explained that RPL 20-9-0044, the Department of Corrections (DOC), requests \$73,000 of federal authorization because the federal grant award for the Residential Substance Abuse Treatment for the state prisoners program increased to \$138,000. The funding will be allocated to the residential substance abuse treatment program housed in the Hiland Mountain Correctional Center (HMCC), which is the state's primary female unit. The increase in funding is associated with the requirement that medication-assisted treatment services are now required to be incorporated as part of the spectrum of care in order to continue receiving this grant funding. There is a 25

percent matching fund requirement, which in essence is about \$18,000 to \$18,125, which will be absorbed by the DOC.

[10:12:18 AM](#)

CHAIR STEDMAN asked whether there were any questions on RPL 20-9-0044 and there were none. He moved to the next RPL.

[10:12:23 AM](#)

MS. RYDER explained that RPL 05-9-0045, the Alaska State Council on the Arts, requests \$385,000 of statutorily-designated program receipt authority to receive funding from new grants from the Margaret A. Cargill Foundation (MACF) and the Rasmuson Foundation. These grants will support new arts and education programs and initiatives. These grants are expected to continue for the next 5-10 years so a similar request is expected in the FY 20 budget and no match is required.

CHAIR STEDMAN asked whether there were any questions on RPL 05-9-0045 and there were none. He moved to the next RPL.

[10:13:08 AM](#)

MS. RYDER explained that RPL 18-9-0374, the Department of Environmental Conservation (DEC), requests \$853,800 of federal receipt authority. For the past several years, the department has been preserving a portion of federal indirect cost revenue to cover a one-time cost of cubicle furniture that will be necessary to move into new office space in Juneau. She stated that this is a one-time request and has no future budgetary impacts.

CHAIR STEDMAN asked whether there were any questions on RPL 18-9-0374 and there were none. He moved to the next RPL.

[10:13:44 AM](#)

MS. RYDER stated that RPL 09-9-0113 would provide the Department of Military and Veterans Affairs (DMVA) with \$100,000 of statutorily-designated program receipt authorization for the Homeland Security & Emergency Management Division for two employees to assist the State of California in the administration and implementation of Federal Emergency Management Agency (FEMA) funding for the November fires in California. The immediate need for the RPL is just under \$50,000; however, an additional \$50,000 would allow for

flexibility in responding to other requests for assistance and no match is required.

[10:14:26 AM](#)

REPRESENTATIVE SEATON objected for the purpose of discussion. He said he was curious whether the \$50,000 should be considered and if it was justified to consider potential future expenses in this committee.

[10:14:47 AM](#)

CHAIR STEDMAN asked Ms. Ryder to provide clarification on the timing of the request relative to the upcoming legislative session.

[10:14:57 AM](#)

MS. RYDER answered that the department could request \$50,000 as a supplemental [operating] budget request; however, it would add to the administrative costs. She stated that if the DMVA does not receive \$50,000 in federal receipts, the department cannot expend any more funds. The \$50,000 would not be added to the base amount but approval would allow the department to expand additional funding for this purpose if they receive it.

[10:15:24 AM](#)

REPRESENTATIVE SEATON said that answered his question.

[10:15:28 AM](#)

CHAIR STEDMAN asked whether there were any further questions on RPL 09-9-0113 and there were none. He moved to the next RPL.

[10:15:34 AM](#)

MS. RYDER explained that in RPL 12-9-3040 the Department of Public Safety (DPS) requests \$300,000 because the amount of federal grant awards increased to \$692,500. She stated that this funding will be used to improve the quality and timeliness of forensic science or medical examiner coroner services to eliminate a backlog in the analysis of forensic science evidence and to train, assist and employ forensic laboratory personnel, as needed. This morning the DPS advised her that a [Paul] Coverdell Forensic Sciences Improvement competitive grant has been denied so instead of needing \$300,000, the RPL can be

reduced to \$163,400. She advised that no match is required, and no new positions will be added.

10:16:27 AM

REPRESENTATIVE ORTIZ asked for further clarification on the requested amount and if it meant the request was for \$163,000 rather than \$300,000.

MS. RYDER responded that the division recommends that the amount for RPL 12-9-3040 be amended to \$163,400 instead of \$300,000.

10:17:04 AM

CHAIR STEDMAN related his understanding that the request for RPL 12-9-3040 would be for \$153,000.

MS. RYDER clarified that the total amended request would be for \$163,400.

10:17:21 AM

CHAIR STEDMAN stated the request for RPL 12-9-3040 would be for \$163,400.

10:17:25 AM

SENATOR GIESSEL moved that the Legislative Budget and Audit Committee amend RPL 12-9-3040 to reflect the amount of the reduction to \$163,400.

There being no objection, RPL 12-9-3040, as amended, was adopted.

10:18:10 AM

MS. RYDER stated that in RPL 12-9-3050 the Council of Domestic Violence and Sexual Assault (CDVSA) requests \$500,000 of additional receipt authority as a result of an increase in the federal Victim of Crime Acts (VOCA) federal grant award. She stated there is no match required and the DPS [Department of Public Safety] will be requesting additional federal authorization in the FY 20 budget.

There being no objection to RPL-9-3050, the committee moved to the next RPL.

[10:18:46 AM](#)

MS. RYDER explained that in RPL 25-9-8623 the Department of Transportation and Public Facilities (DOT&PF) requests \$25 million in federal capital funding to address damage to major highways, roads, bridges, and other infrastructure caused by the November 30, 2018 earthquake and the subsequent aftershocks.

[10:19:33 AM](#)

SENATOR MACKINNON asked to place a potential conflict of interest on the record. She stated that her husband [John MacKinnon] was recently appointed by Governor Dunleavy as the Commissioner of the DOT&PF.

CHAIR STEDMAN said it was duly noted.

[10:19:51 AM](#)

CHAIR STEDMAN asked if there were any objections to adopting RPL 25-9-8623.

[10:20:22 AM](#)

REPRESENTATIVE JOSEPHSON [objecting for the purpose of discussion] asked whether Ms. Ryder could provide background information on the \$25 million, including which agency would receive the funds and whether it was considered a down payment from the federal government on other funds. He recollected reading in the newspaper that the local school district would need \$25-50 million. He anticipated that earthquake funding would be an issue during the upcoming session, so he asked for a greater sense of what this represents in terms of other potential federal funding.

[10:21:10 AM](#)

CHAIR STEDMAN asked Ms. Ryder to respond to Representative Josephson's concern about the magnitude of the request as compared to the potential magnitude of the [earthquake] destruction and repair, in terms of this point in time and the normal legislative budget cycle.

MS. RYDER deferred to Rob Carpenter.

[10:22:14 AM](#)

ROB CARPENTER, Fiscal Analyst, Legislative Finance Division, Legislative Agencies and Offices, answered that the agency [DOT&PF] could provide additional detail, but the concept is to set up a collector appropriation to receive initial funding from the federal agency to perform the initial assessment of damage caused by the earthquake. He stated that potential exists for future matching funds which would be addressed in the supplemental budget in the upcoming legislature. He reiterated that the RPL was for initial collection of emergency funds to continue the process.

[10:22:48 AM](#)

CHAIR STEDMAN advised [the public] that the Legislative Budget and Audit Committee cannot appropriate funds, but the committee can issue the authority to receive federal funding. He stated that the [RPL] request would allow the state to receive the federal funding to accelerate the reconstruction of the state. He anticipated that this will be one of the top items Senator von Imhof will address in the Capital Budget in minute detail.

[10:23:21 AM](#)

SENATOR MACKINNON, in response to Representative Josephson, stated that RPL [25-9-8623] is for the DOT&PF and does not extend to the building damage in the Anchorage School District (ASD). She offered her belief that would be something different that would be taken up separately. She related her understanding, as reported in the newspapers, Alaska has received an initial \$5 million from the federal government for an emergency assessment of damages caused by the earthquake and to determine the amount of assistance from the federal government for federal relief funding. She recollected that on December 3, 2018, the [Alaska] delegation performed an on-site review of damage from Houston to South Anchorage and to the Girdwood area. As Mr. Carpenter stated, DOT&PF was available online to answer questions. She indicated that [RPL 25-9-8623] for a \$25 million appropriation is specifically for the DOT&PF.

[10:24:28 AM](#)

CHAIR STEDMAN anticipated the state would likely need school construction and reconstruction funding [as a result of earthquake damage].

[10:24:39 AM](#)

MS. RYDER added that the division received information from DOT&PF that for the first 180 days after the [November 30, 2018] earthquake, the reimbursement from the Federal Highway Administration (FHWA) is at 100 percent so no match would be required at this time. She anticipated that some matching funds may be required after that timeframe.

[10:25:07 AM](#)

CHAIR STEDMAN asked whether there were any objections to receiving the federal appropriation and there were none. He stated that concluded the RPLs.

[10:25:24 AM](#)

SENATOR VON IMHOF stated she has a potential conflict of interest with [RPL 05-9-0045] for Arts in Education private grants. She said she serves as a board member of the Rasmuson Foundation who has contributed funding for the Arts in Education fund.

[10:25:54 AM](#)

SENATOR GIESSEL asked for further clarification on two RPLs not covered: RPL 09-2019-0068, the Alaska Military Youth Academy authority was increased; and RPL 20-2019-0035, Department of Corrections (DOC), Bureau of Justice Assistance (BHA).

[10:26:23 AM](#)

The committee took a brief at ease.

[10:27:29 AM](#)

CHAIR STEDMAN asked Ms. Ryder to address the two RPLs mentioned.

[10:27:31 AM](#)

MS. RYDER responded that the Office of Management and Budget (OMB) withdrew the two referenced RPLs, so they were not included in members' packets. She explained that the RPLs were withdrawn at the same time that OMB added the \$25 million federal RPL for DOT&PF.

[10:28:00 AM](#)

CHAIR STEDMAN asked for a motion on the RPLs.

[10:28:04 AM](#)

SENATOR GIESSEL moved that the Legislative Budget and Audit Committee (LB&A) approve the RPLs as listed and presented to the committee, as follows: 02-9-0056, 08-9-0121, 20-9-0044, 05-9-0045, 18-9-0374, 09-9-0113, 12-9-3040, as amended [to \$163,400], 12-9-3050, and 25-9-8623.

There being no objection, the RPLs were approved.

[10:29:32 AM](#)

SENATOR MACKINNON asked whether the committee needed to have a [roll call] vote to approve the RPLs since some members are participating (via teleconference).

[10:29:43 AM](#)

CHAIR STEDMAN asked to move up the agenda to the action taken on the RPLs.

[10:30:07 AM](#)

A roll call vote was taken. Representatives Seaton, Johnston, and Josephson (via teleconference) and Senators Mackinnon (via teleconference), Bishop (via teleconference), Giessel, and Chair Stedman voted in favor of the approval of the RPLs. [Representative Ortiz (alternate) and Senator von Imhof's (alternate) votes were not counted as they were not needed for a quorum]. Therefore, the motion passed by a vote of 7-0.

CHAIR STEDMAN stated the committee had approved moving these RPLs forward.

### **SPECIAL AUDIT REQUESTS**

[10:31:28 AM](#)

CHAIR STEDMAN announced the next order of business would be approval of special audit request, Department of Health and Social Services (DHSS), Office of Children's Services (OCS) (HB 151).

[10:32:20 AM](#)

SENATOR VON IMHOF stated that the special audit request was the result of HB 151, which she and Representative Gara worked to pass during the past legislative session. This special audit request would address the Office of Children's Services (OCS). She explained that the bill made several improvements and the audit will review those changes to determine how they have impacted how OCS operates and places children [in foster care] and how the OCS processes their caseload. She explained that this special audit request would be a three-year rolling audit intended to build on the different implementations as it moves forward. She said she and Representative Gara worked extensively this fall with Ms. Kris Curtis to create a comprehensive scope for the audit. She stated that this letter was the result of that request [letter dated November 15, 2018 in members' packets]. She related that she and Representative Gara felt this department needs some changes and that this audit will assure that the changes are effective. She noted that if the audit needed to be "tweaked" going forward, [the scope of the audit provides the flexibility to do so].

[10:34:02 AM](#)

REPRESENTATIVE LES GARA, Alaska State Legislature, stated that he had several questions on the special audit request. He directed attention to page 3 to the last bullet point on "permanency" of the November 15, 2018 [memo from Senator von Imhof to Senator Stedman, Chair, Legislative Budget and Audit Committee, Audit Request-DHSS, OCS, HB 151] [which read as follows:

- o Placement Stability: Of all children who enter foster care in a 12-month period, what is the rate of placement moves per day of foster care?]

REPRESENTATIVE GARA said he has also spoken to Senator von Imhof and believes he understands her intention. He offered that future legislators may have unrealistic expectations, noting that members have all heard the testimony [before the legislature] related to New Jersey's model used [in HB 151]. He recollected that New Jersey saw improvements five to six years after implementation of their bill, noting explanations exist for the lag time and that things are not going to change tomorrow.

REPRESENTATIVE GARA stated that the first three items on that bullet point basically would achieve the federal standard of placing a child into a permanent home within 12-24 months. He

related his understanding that Senator von Imhof wanted to establish a baseline to allow analysis in future years on whether the OCS has made improvements other than what OCS was doing in a year from now. However, he cautioned that future legislators may look at the [OCS's] success in placing a child in a permanent home within 12-24 months as not meeting the federal standard. He suggested that if the goal was to establish a baseline number to change the bullet point by adding language "so we can have a baseline for future years."

REPRESENTATIVE GARA added that if people were to criticize the OCS's progress when the figures become available in the next year or so, he suggested that it would be relevant to see how that figure compared to past practice. The goal was to achieve improvement in the [foster care] system and not just to meet the federal standards. He suggested the goal should be to compare placement figures in the first three bullet points on permanency in the first 12 months to how the agency performed in 2016-2017. He commented that a year prior to passage of HB 151 the [agency] made major improvements in its Wasilla office in with results starting to appear in 2018.

REPRESENTATIVE GARA summarized his points, which were to include language "to establish a baseline for future years" to measure against so future legislators do not erroneously conclude that improvements had not yet been made. In terms of the last bullet point on "placement stability", or how many times children are bounced between foster homes, he suggested the same thing. The number would not make any sense unless people realize that this was a "baseline number." He suggested that if people wanted to know whether progress had occurred, the committee may wish to add language to compare the figures early in the bill to those in 2016-2017 to assess and determine the impact.

[10:37:30 AM](#)

REPRESENTATIVE GARA directed attention to the fourth bullet point which read as follows:

- o Re-entry to Foster Care: Of all children who enter foster care in a 12-month period and are discharged within 12 months to reunification or guardianship, what percent re-entered foster care within 12 months of their date of discharge?

REPRESENTATIVE GARA suggested that there might be some unintended consequences to this provision.

[10:37:47 AM](#)

REPRESENTATIVE GARA pointed out that if the bill works that figure might actually increase since there are two ways to place youth in a permanent home. One would be the foster child would go to a loving adoptive family or guardianship, which is a permanent home. The second way would be reunification with the original family. It may be that caseworkers spent more time with the original family and that time resulted in more youth being reunified with their original families. Often these are families who suffer from long-term alcohol or substance-abuse problems. Caseworkers work with these parents in hopes for reunification; however, a number of those families will fail because they are battling drug abuse and alcoholism problems. He acknowledged that the success rate for drug abuse and foster care is not 100 percent. Thus, when reuniting more youth with their families, some of these families will slip and these youth will fall into the figures of re-entry into foster care. Although he could not be certain, he reiterated that this figure might inadvertently increase. He asked to flag that for the committee to consider. He reminded members that in the New Jersey model the figures did not improve until the five-to-six-year point after implementation. Although there could be improvements to these families lives early on, these numbers might not have dramatically changed.

[10:39:51 AM](#)

KRIS CURTIS, Legislative Auditor, Legislative Audit Division, Legislative Agencies and Offices, said that what was unique about this special audit request as Senator von Imhof mentioned, is that the special audit is really a request for three audits. She stated this is necessary because the bill has various effective dates. She explained that rather than waiting four years [to evaluate progress] the division suggests auditing after one year, after two years, and after three years. When one has gone in the second and third time, the auditors are evaluating whether the initial findings have been addressed.

MS. CURTIS asked members for guidance on the baseline measures. She suggested it may be a good idea to calculate those as of 2016-2017 and then examine them as part of the final audit for comparison. One of the things she heard was sometimes it is difficult to obtain measures from the agency, so the division will be providing that baseline in the initial audit, objectively, from the auditors. The legislative auditor would

then conduct the last audit. She said that if the committee wants to go back and calculate those for 2016, the auditors could do so and in 2020 to allow enough time.

[10:41:37 AM](#)

SENATOR VON IMHOF said that approach sounds reasonable and if that was something the auditors can do it would meet the spirit of what Representative Gara was asking. She reiterated that to go forward in terms of addressing Representative Gara's concerns the goal is to look for trends or specific values such as whether [the state] is meeting or failing to meet the federal guidelines. She asked Ms. Curtis to determine the baseline for the last few years in the initial audit prior to implementing changes in HB 151. She personally does not believe the audit must contain specificity such as identifying trend lines that have occurred or determining if the OCS is above or below federal guidelines. She considered that to be the analysis, which is inherent in an audit. She further understood, acknowledging she may be making an assumption, that the [committee] does not want ramifications three years from now from a future legislative committee concluding that because [the OCS] did not meet the guidelines that it is necessary to shut down [the agency]. She said she does not want that to happen and she does not feel that this is the spirit of the intent of this special audit. She asked whether Ms. Curtis thinks that it is necessary to have that specific language in this letter.

[10:43:14 AM](#)

MS. CURTIS responded that she does not think so. She highlighted the language in the bullet states that the audit will compare [permanency] measures to the national standards. She acknowledged that some concern was expressed that comparing to national standards may not be what [the committee] really wants to do. She asked for direction as to whether the committee wants the audit to contain a comparison to national standards at all or if the committee wants a measure to use to compare future calculations to the baseline.

[10:43:46 AM](#)

SENATOR VON IMHOF said that since the legislature has considered New Jersey and other states for guidance, which is a national scope, that comparing it nationally is fair; however, she also thought it was fair for auditors, in their analysis, to make notations of what might be specific to Alaska, such as Tribal

Compact Agreements or other considerations that arise during the three years of conducting audits. She reiterated that yes, the audit should compare measures to national standards, but the auditor's analysis should be performed using Alaska specific effects, as well.

[10:44:31 AM](#)

REPRESENTATIVE SEATON, speaking as past Chair of the House Health and Social Services Standing Committee [HHSS], said it appeared that much of the special audit request would transfer the HHSS committee's function to the Legislative Budget and Audit Committee (LB&A) as an audit function. He said the committee can obtain data from the agency by bringing the commissioner or OCS staff before the committee asking for updates on performance with respect to implementing provisions in HB 151. He expressed concern that having a multi-stage audit while simultaneously the OCS is working to implement HB 151 would create conflicts, including time conflicts, and disruptions in the agency because the auditors will be present. He expressed further concern that the report would come to the LB&A instead of the HHSS committee. He suggested that this seemed more like a performance audit, which [the committee] no longer conducts. He related his sense that it could be quite disruptive during a new administration to implement the provisions of HB 151 in a short-timeline audit. He reiterated his concern that it was mixing HSS committee functions with LB&A functions since the HHSS Chair could request and obtain information if the LB&A committee would like to know how many people were hired or had other questions for the agency.

[10:47:05 AM](#)

CHAIR STEDMAN asked Ms. Curtis to speak to the potential conflict with process or disruption.

[10:47:16 AM](#)

MS. CURTIS clarified that performance reviews were added to the Legislative Audit [Division's] duties five years ago have been defunded. She identified those as reviews the division would facilitate with a contractor to review the agency. However, those reviews were not performance audits since performance audits are still requested through this committee, which is what this is, she said. An audit is a much different level of assurance than a performance review by a consultant.

MS. CURTIS responded that the concern an audit would disrupt an agency is a very valid concern since auditors take up staff time and it is disruptive. She stated that the auditors try to limit the disruption as much as possible; however, it is a function of the oversight process of audit. She questioned whether the committee could obtain the same level of assurance by asking the department to report information as compared to having the division prepare it. She explained that an auditor reviews information including testing and files whereas the department could likely provide anecdotal feedback on how the department views its progress, which is valid; however, it would not provide the LB&A the level of assurance that an audit will provide. She deferred to the committee to decide.

[10:48:50 AM](#)

REPRESENTATIVE JOHNSTON said Ms. Curtis "hit on" what she was aiming for. She offered her belief that the Legislative Budget and Audit Committee (LB&A) does need a performance audit, especially since HB 151 is largely transformative legislation and given that the lead person working on the legislation is retiring. She said that she has done a lot of work with social services agencies in the past. She has served on the HSS committee and has heard numerous anecdotal comments; however, it has been very difficult to obtain data. She offered her view that the special audit for HB 151 will foster a better process. She said that good data requires a good process and the special audit might encourage a better process, including digitized data in foster care rather than having repeated re-entry into the system. She suggested the special audit will drive what Representative Gara has been trying to achieve. Further, one consideration was that the incoming HSS committee are currently unknown and this issue might not be on their "radar" as a priority; however, the LB&A has the responsibility to keep it on the HSS committees' "radar." She said she was very supportive of the special audit.

[10:50:35 AM](#)

REPRESENTATIVE SEATON offered his belief that LB&A was trying to determine what happens in [the HHSS] committee on an ongoing basis, since the special audit is a multi-year audit. He suggested that the committee might default to LB&A which means that the LB&A would not only establish the audit, but the audit will be reported back to the LB&A and it would need to take action. He expressed concern that the ongoing rolling audit might be beneficial over time; however, if the progress was not

quantified in the first year that it might provide a reason to abandon the program entirely. For example, the program might not develop quickly since staff levels might be insufficient, especially given the new administration's impetus to downsize personnel. He reiterated his concern that if the OCS does not immediately perform it may jeopardize the program. He highlighted his concerns, conceptually, with the rolling audit process since a number of bills could be handled in this way since members might be concerned about a program.

[10:52:51 AM](#)

REPRESENTATIVE JOSEPHSON commented on his perspective after having listened to Representative Gara and other testifiers. He offered his belief that the special audit would compare the baseline OCS data with progress over time. He suggested that "in a sense it is trying to compare ourselves to our previous selves." In terms of the national standard, one thing that interested him was that currently no state meets the national standard. He speculated this might be because the federal agencies would like states to work hard on these issues. He reiterated that if there was going to be a comparison to the national standard it was important to identify the states who met the standard because none or very few states so. He emphasized the importance of allowing sufficient time for HB 151 to work, noting his recollection was that New Jersey recommended five years for its model to have a chance to prove itself.

[10:54:02 AM](#)

MS. CURTIS pointed out that HB 151 included intent language, that Department of Health and Social Services (DHSS) agrees to cooperate with a special audit on this bill. The intent language was inserted in the Senate and discussed on the floor, she said.

[10:54:25 AM](#)

The committee took a brief at ease.

[10:54:32 AM](#)

SENATOR VON IMHOF moved that the Legislative Budget and Audit Committee approve the special audit request for the Department of Health and Social Services (DHSS), Office of Children's Services (OCS) as presented with an amendment to include baseline data for FY 16.

[10:59:21 AM](#)

REPRESENTATIVE SEATON objected.

[10:59:29 AM](#)

REPRESENTATIVE SEATON offered his belief that he has made his position clear during the discussion.

[10:59:49 AM](#)

A roll call vote was taken. Representatives Johnston, Josephson (via teleconference) and Senators MacKinnon (via teleconference), Bishop (via teleconference), Giessel, and Chair Stedman voted in favor of approving the special audit request for DHSS, Office of Children's Services, as presented. Representative Seaton voted against it. [Representative Ortiz (alternate) and Senator von Imhof's (alternate) votes were not counted as they were not needed for a quorum]. Therefore, the special audit request for the DHSS, Office of Children's Services, as presented, was adopted by a vote of 6-1.

#### **EXECUTIVE SESSION**

[11:01:14 AM](#)

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

[11:01:29 AM](#)

SENATOR GIESSEL made a motion to move to executive session under Uniform Rule 22 of the Alaska State Legislature for the purpose of discussing confidential audit reports under AS 24.20.301. The purpose of the executive session is to consider the following final audits: DCCED [Department of Commerce, Community and Economic Development - Board of Barbers and Hairdressers, Board of Dental Examiners, Board of Nursing; DHSS [Department of Health and Social Services] - Statewide Suicide Prevention Council; DNR [Department of Natural Resources] - Matanuska Maid Select Property Disposal; and DOA [Department of Administration] - Statewide Single Audit, FY 15, Reissue; and in addition, the following preliminary audits [Alaska Gasline Development Corporation] AGDC - Select Financial Issues; and DCCED - Big Game Commercial Services Board.

SENATOR GIESSEL asked that the following persons remain in the room or online for executive session: the legislative auditor and necessary staff for Legislative Audit, any legislators not on the committee; and staff for members of the committee.

[11:02:20 AM](#)

CHAIR STEDMAN indicated the committee will first consider preliminary audits followed by final audits.

[There being no objection, the committee went into executive session at 11:02 a.m.]

[11:02:49 AM](#)

The committee took an at-ease from 11:02 a.m. to 12:12 p.m. for the purpose of an executive session.

[12:12:06 PM](#)

CHAIR STEDMAN brought the Legislative Budget and Audit Committee back to order at 12:12 p.m. Present at the call back to order were Representatives Seaton, Johnston, Ortiz (alternate), Josephson (via teleconference), and Senators Mackinnon (via teleconference), Giessel, von Imhof (alternate), and Chair Stedman were present at the call to order.

CHAIR STEDMAN stated that the committee had a quorum (three members from the House and three members of the Senate for a total of six members) to conduct business without the assistance of the two alternates [who were present].

#### **FINAL AUDIT REPORTS**

[12:13:59 PM](#)

[CHAIR STEDMAN announced that the next order of business would be the final audit reports.]

[12:14:07 PM](#)

SENATOR GIESSEL moved that the Legislative Budget and Audit Committee approve the release to the public the following final audit reports for the Department of Commerce, Community & Economic Development (DCCED): Board of Barbers and Hairdressers, Board of Dental Examiners, Board of Nursing; the Department of Health and Social Services - Statewide Suicide

Prevention Council; the Department of Natural Resources - Matanuska Maid Select Property Disposal; and the Department of Administration - Statewide Single Audit, FY 15, Reissue.

There being no objection, the final audits were released.

### PRELIMINARY AUDIT REPORTS

[12:15:00 PM](#)

CHAIR STEDMAN announced that the final order of business would be preliminary audit reports.

[12:15:04 PM](#)

SENATOR GIESSEL moved that the Legislative Budget and Audit Committee approve the release to the public the following preliminary audit for the AGDC, Select Financial Issues.

[The committee treated this motion as withdrawn.]

[12:15:19 PM](#)

SENATOR STEDMAN asked to return to the agenda item and motion to release the final audit reports in order to have a roll call vote since some committee members were participating in the meeting telephonically.

[12:15:47 PM](#)

A roll call vote was taken. Representatives Seaton, Johnston, and Josephson (via teleconference) and Senator MacKinnon (via teleconference), Giessel, and Chair Stedman voted in favor of the release to the public the following final audit reports for the Department of Commerce, Community & Economic Development (DCCED): Board of Barbers and Hairdressers, Board of Dental Examiners, Board of Nursing; the Department of Health and Social Services - Statewide Suicide Prevention Council; the Department of Natural Resources - Matanuska Maid Select Property Disposal; and the Department of Administration - Statewide Single Audit, FY 15, Reissue. [Representative Ortiz (alternate) and Senator von Imhof's (alternate) votes were not counted as they were not needed for a quorum]. Therefore, the final audits were released by a vote of 6-0.

[12:16:55 PM](#)

SENATOR GIESSEL moved that the Legislative Budget and Audit Committee approve the release to the public the following preliminary audit for the AGDC - Select Financial Issues.

[12:17:21 PM](#)

A roll call vote was taken. Representatives Seaton, Johnston, and Josephson (via teleconference) and Senator MacKinnon (via teleconference), Giessel, and Chair Stedman voted in favor of the release to the public the following preliminary audit report for the AGDC - Select Financial Issues. Therefore, the preliminary audit for the AGDC - Select Financial Issues was released by a vote of 6-0.

[12:18:16 PM](#)

SENATOR GIESSEL moved that the Legislative Budget and Audit Committee approve the release to the public the following preliminary audit for the Department of Commerce, Community & Economic Development (DCCED) - Big Game Commercial Services Board (BGCSB).

[12:18:30 PM](#)

A roll call vote was taken. Representatives Seaton, Johnston, and Josephson (via teleconference) and Senator MacKinnon (via teleconference), Giessel, and Chair Stedman voted in favor of the release to the public the following preliminary audit report for the Department of Commerce, Community & Economic Development - Big Game Commercial Services Board (BGCSB). Therefore, the preliminary audit for the Department of Commerce, Community & Economic Development - Big Game Commercial Services Board (BGCSB) released by a vote of 6-0.

[12:19:15 PM](#)

REPRESENTATIVE JOSEPHSON asked to reconsider an amendment made on the audit for the Office of Children's Services.

[12:19:41 PM](#)

CHAIR STEDMAN asked for further clarification that Representative Josephson wanted the committee to [rescind] a previous action taken.

[12:19:52 PM](#)

REPRESENTATIVE JOSEPHSON asked to make a "friendly amendment" to an amendment that was previously adopted.

[12:20:00 PM](#)

The committee took an at-ease from 12:20 p.m. to 12:22 p.m.

[12:22:46 PM](#)

CHAIR STEDMAN announced that the committee would not go back up the agenda to rescind its action; however, the committee acknowledged and recognized the request.

[12:23:05 PM](#)

SENATOR VON IMHOF explained that the committee had previously discussed using FY16 to provide a baseline for the HB 151 special audit. She said that after hearing the discussions she would like to use FY18 as the baseline [for OCS].

[12:23:28 PM](#)

CHAIR STEDMAN agreed to request the DHSS to move forward with that and if there was a need for a formal amendment to do so that an amendment could be made at the next LB&A meeting.

[12:23:44 PM](#)

REPRESENTATIVE SEATON said that he had no objection to changing the baseline date [to FY18.]

[12:24:00 PM](#)

CHAIR STEDMAN asked Representative Josephson whether this would address his concern.

[12:24:01 PM](#)

REPRESENTATIVE JOSEPHSON answered that he believed that it did.

[12:24:08 PM](#)

CHAIR STEDMAN approved changing [the baseline year to FY18]. He said the Legislative Budget and Audit Committee would meet before the next legislative session.

[12:24:51 PM](#)

**ADJOURNMENT**

There being no further business before the committee, the Legislative Budget and Audit meeting was adjourned at 12:24 p.m.