

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

June 5, 2018

10:01 a.m.

MEMBERS PRESENT

Senator Bert Stedman, Chair
Senator Anna MacKinnon
Senator Cathy Giessel
Senator Natasha von Imhof (alternate)

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

MEMBERS ABSENT

Senator Click Bishop
Senator Lyman Hoffman

Representative Jennifer Johnston

OTHER LEGISLATORS PRESENT

Representative Tammy Wilson

COMMITTEE CALENDAR

APPROVAL OF AGENDA
APPROVAL OF MINUTES
EXECUTIVE SESSION
OTHER COMMITTEE BUSINESS - SPECIAL AUDIT REQUEST

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

RANDY RUARO, Staff
Senator Bert Stedman
Alaska State Legislature

POSITION STATEMENT: Offered information regarding a committee memorandum.

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

POSITION STATEMENT: Provided information regarding a special audit request.

ACTION NARRATIVE

[10:01:47 AM](#)

CHAIR BERT STEDMAN called the Legislative Budget and Audit Committee meeting to order at 10:01 a.m. Representatives Kawasaki (via teleconference), Seaton, Spohnholz, Josephson, and Ortiz (alternate) (via teleconference), and Senators Stedman, MacKinnon, Giessel, and von Imhof (alternate) were present at the call to order. Also present was Representative Wilson.

CHAIR STEDMAN announced that there was a quorum, as there were nine members of the committee present.

APPROVAL OF AGENDA

[10:03:23 AM](#)

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

[10:03:31 AM](#)

REPRESENTATIVE JOSEPHSON made a motion that the Legislative Budget and Audit Committee approve the agenda. There being no objection, it was so ordered.

APPROVAL OF MINUTES

[10:03:53 AM](#)

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

[10:04:01 AM](#)

REPRESENTATIVE JOSEPHSON made a motion to approve the minutes of the April 11, 2018, meeting as presented. There being no

objection, the minutes from the meeting of April 11, 2018, were approved.

EXECUTIVE SESSION

[10:04:14 AM](#)

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

[10:04:27 AM](#)

REPRESENTATIVE JOSEPHSON made a motion that the Legislative Budget and Audit Committee go into executive session under Uniform Rule 22 of the Alaska State Legislature and AS 24.20.301 for the purpose of considering release of a final audit of the Alaska Mental Health Trust Authority, a preliminary Statewide Single Audit for fiscal year 2017 (FY 17), an audit of the Regulatory Commission of Alaska (RCA) FY 17 Annual Report, contract amendments for consultants Gaffney Cline and In3nergy, and a new contract with the law firm Wiley Rein.

CHAIR STEDMAN objected to lay out the schedule of executive session. He then removed his objection.

[10:05:50 AM](#)

REPRESENTATIVE JOSEPHSON added to the motion to ask that the following individuals remain in the room or online: legislative auditor, Kris Kurtis; necessary staff and contractors of the Legislative Audit Division; attorney Michael Caulfield; attorney Eric Wohlforth; any legislators not on the committee; and any legislative staff for Legislative Budget and Audit Committee members. There being no objection, it was so ordered.

[10:06:22 AM](#)

The committee took a brief at-ease at 10:06 a.m.

[Due to technical difficulties, the following information up to the at-ease going into executive session was derived from the secretary's log notes and is not on the recording.]

CHAIR STEDMAN brought the committee back to order and asked Representative Josephson to modify the motion to add a topic for discussion.

REPRESENTATIVE JOSEPHSON made a motion to add to executive session a discussion of the Sexual Harassment Policy. There being no objection, it was so ordered.

The committee took an at-ease from 10:07 a.m. to 3:03 p.m. for the purpose of executive session.

[3:03:31 PM](#)

CHAIR STEDMAN brought the Legislative Budget and Audit Committee back to order. Present at the call back to order were Representatives Kawasaki (via teleconference), Seaton, Spohnholz, Ortiz (alternate, via teleconference), and Josephson and Senators MacKinnon, Giessel, and Stedman.

CHAIR STEDMAN announced there was a quorum, as there were eight members of the committee present.

[3:04:56 PM](#)

REPRESENTATIVE JOSEPHSON stated that the committee had heard from Michael Caulfield, an attorney from Jermain, Dunnagan & Owens, P.C., who is under contract with the Legislative Audit Division but whom he had not met until today. Representative Josephson disclosed that his sister is a partner at Jermain, Dunnagan & Owens, P.C.

CHAIR STEDMAN said, "Duly noted."

[3:05:34 PM](#)

REPRESENTATIVE JOSEPHSON made a motion that the Legislative Budget and Audit Committee approve the release of the Final Alaska Mental Health Trust Audit to the public. There being no objection, it was so ordered.

[3:05:58 PM](#)

REPRESENTATIVE JOSEPHSON made a motion to approve the release of the Preliminary Statewide FY 17 Single Audit to the applicable state agencies for formal comment. There being no objection, it was so ordered.

[3:06:22 PM](#)

REPRESENTATIVE JOSEPHSON made a motion to approve the release of the preliminary audit of the RCA FY 17 Annual Report to the applicable state agencies for formal comment. There being no objection, it was so ordered.

[3:06:51 PM](#)

REPRESENTATIVE JOSEPHSON made a motion that the Legislative Budget and Audit Committee approve the amendments to the contract with Gaffney Cline as presented to the committee. There being no objection, it was so ordered.

[3:07:13 PM](#)

REPRESENTATIVE JOSEPHSON made a motion that the Legislative Budget and Audit Committee approve the amendments to the contract with In3nergy as presented to the committee. There being no objection, it was so ordered.

[3:07:39 PM](#)

REPRESENTATIVE JOSEPHSON made a motion that the Legislative Budget and Audit Committee approve a new contract with Wiley Rein, as presented to the committee, and to approve entering into an engagement letter with the law firm that conforms to the contract approved by Legislative Legal. There being no objection, it was so ordered.

OTHER COMMITTEE BUSINESS - SPECIAL AUDIT REQUEST

[3:08:17 PM](#)

CHAIR STEDMAN announced the final order of business would be other committee business concerning a special audit request.

[3:09:12 PM](#)

The committee took a brief at-ease at 3:09 p.m.

[3:09:25 PM](#)

RANDY RUARO, Staff, Senator Bert Stedman, Alaska State Legislature, drew attention to a committee memorandum requesting its own approval for a special audit of the Department of Revenue (DOR) related to a tax credit loan program. He said some concerns were brought to the attention of staff and were discussed with the auditor and the agency. The finding was that

there was enough information to warrant a special audit request. Mr. Ruaro related that the memorandum describes the background and some of the timeline of the program and lays out specific areas of investigation for the auditor on page two.

[3:10:32 PM](#)

REPRESENTATIVE JOSEPHSON made a motion that the Legislative Budget and Audit Committee approve the special audit request as presented to the committee and set forth in the May 28, 2018, memorandum to committee members.

CHAIR STEDMAN objected for the purpose of discussion.

[3:11:02 PM](#)

SENATOR MACKINNON requested the committee hear from Kristin Curtis regarding the timing for completion of the audit.

[3:11:16 PM](#)

KRISTIN CURTIS, Legislative Auditor, Legislative Audit Division, Alaska State Legislature, said she thinks the audit could be started in spring of 2019 and could be done in time.

SENATOR MACKINNON asked if there was anything else being held by the Legislative Budget and Audit Committee that needed to be released. For example, she asked whether the Matanuska Maid Dairy audit had been released already.

MS. CURTIS answered that the Matanuska Maid Dairy audit has been drafted, is in her possession, and may be a preliminary audit topic for a meeting in September when there would be five sunsets to address. She added that she also anticipates there will be a special audit of the Alaska Gasline Development Corporation (AGDC) organization ready by September or October.

CHAIR STEDMAN removed his objection to the motion that the Legislative Budget and Audit Committee approve the special audit request as presented to the committee and set forth in the May 28, 2018, memorandum to committee members. There being no further objection, it was so ordered.

[3:12:32 PM](#)

CHAIR STEDMAN announced the next meeting would be some time in July. He asked Ms. Curtis to share the projected dates.

3:13:46 PM

MS. CURTIS said there is a need to get out the single audit as soon as possible, perhaps on July 12 or 14. The next meeting for audit purposes may be the first week of October, with a follow-up meeting the first week of November.

3:14:46 PM

ADJOURNMENT

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 3:15 p.m.