

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

March 7, 2019

6:07 p.m.

MEMBERS PRESENT

Representative Chris Tuck, Chair
Representative Neal Foster
Representative Ivy Spohnholz
Representative Jennifer Johnston (alternate)

Senator Click Bishop, Vice Chair
Senator Bert Stedman
Senator Natasha von Imhof
Senator Cathy Giessel

MEMBERS ABSENT

Representative Andy Josephson
Representative Mark Neuman

Senator Lyman Hoffman
Senator Peter Micciche (alternate)

OTHER LEGISLATORS PRESENT

Representative DeLena Johnson

COMMITTEE CALENDAR

ELECTION OF CHAIR
ELECTION OF VICE CHAIR
APPROVAL OF MINUTES
REPORT FROM DAVID TEAL, LEGISLATIVE FINANCE DIVISION
REPORT FROM KRIS CURTIS, LEGISLATIVE AUDIT DIVISION
EXECUTIVE SESSION

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

DAVID TEAL, Legislative Fiscal Analyst
Legislative Finance Division
Legislative Agencies and Offices

Juneau, Alaska

POSITION STATEMENT: Provided information to the Legislative Budget and Audit Committee on the role of the Legislative Finance Division.

KRIS CURTIS

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

POSITION STATEMENT: Provided information to the Legislative Budget and Audit Committee on the role of the Legislative Audit Division.

ACTION NARRATIVE

[6:07:56 PM](#)

CHAIR BERT STEDMAN called the Legislative Budget and Audit Committee meeting to order at 6:07 p.m. Representatives Tuck, Foster, and Johnston (alternate) and Senators Stedman, Giessel, and Bishop were present at the call to order. Representative Spohnholz and Senator von Imhof arrived as the meeting was in progress. Also in attendance was Representative Johnson.

Election of Chair

[6:08:29 PM](#)

CHAIR STEDMAN announced that the first order of business would be nominations for the chair of the Legislative Budget and Audit Committee.

[6:08:44 PM](#)

REPRESENTATIVE FOSTER nominated Representative Chris Tuck as chair of the Legislative Budget and Audit Committee for the 31st Alaska State Legislature, and he asked that nominations be closed. There being no objection, it was so ordered.

Election of Vice Chair

[6:09:03 PM](#)

CHAIR TUCK announced that the next order of business would be nominations for the vice chair of the Legislative Budget and Audit Committee.

[6:09:16 PM](#)

SENATOR STEDMAN nominated Senator Click Bishop as vice chair of the Legislative Budget and Audit Committee for the 31st Alaska State Legislature, and he asked that nominations be closed. There being no objection, it was so ordered.

[6:09:52 PM](#)

CHAIR TUCK offered some opening remarks which explained the lateness for the organization of the committee. He explained the role of alternate members to the committee, which included participation when necessary for the committee to meet a quorum and pointed out that this was the only time an alternate member would be allowed to vote. He clarified that all members were invited to attend any meeting of the committee.

Approval of Minutes

[6:10:58 PM](#)

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

[6:11:05 PM](#)

SENATOR BISHOP made a motion to approve the minutes of the Legislative Budget and Audit Committee of January 14, 2019. There being no objection, the minutes from the meeting of January 14, 2019 were approved.

Report from David Teal, Legislative Finance Division

[6:11:25 PM](#)

CHAIR TUCK 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.

[6:11:58 PM](#)

DAVID TEAL, Legislative Fiscal Analyst, Legislative Finance Division, Legislative Agencies and Offices, introduced himself as the Director of the Legislative Finance Division and noted that the division reported to the Legislative Budget and Audit Committee, as well as "90 percent of our time supporting the finance committees [House Finance Committee and Senate Finance Committee] in putting the budget together." He shared that the Division's primary interaction with the Legislative Budget and Audit Committee would be for the "revised programs - legislative" (RPLs) which he described as requests by the executive branch to receive and spend money which had not been anticipated. He acknowledged that this money needed to be appropriated. He explained that the RPLs were brought to the committee for review. He shared an example of a previous RPL for Medicaid Expansion, which, although it had not been approved by the committee, the governor had gone ahead and, after 45 days, approved the RPL. He pointed out that regardless of the action of the committee, the governor could implement the request after 45 days had elapsed. Approval of an RPL by the committee eliminated the necessity for the governor to wait the 45 days for expenditure. He explained the process for an RPL: it was sent to the Legislative Finance Division about two weeks prior to a scheduled Legislative Budget and Audit Committee meeting; the Division then reviewed the RPL and added comments and recommendations, in conjunction with the staff to the committee, to the body of the RPL. He noted that, if there were any objections or questions which the Office of Management & Budget (OMB) had difficulty answering, the RPL was typically withdrawn. He stated that once an RPL was provided to the committee, it had usually "passed muster," was posted on the Division website and the committee staff was notified. The committee staff would then contact the committee members and the RPL was reviewed and discussed with the Division at the next meeting.

Report from Kris Curtis, Legislative Audit Division

[6:15:25 PM](#)

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

[6:15:35 PM](#)

KRIS CURTIS, Legislative Auditor, Legislative Audit Division, Legislative Agencies and Offices, explained her role as the auditor, noting that she had been with the division for more than 25 years, and in her current role for more than 7 years. She introduced other members of her staff. She directed attention to a memo [Included in members' packets] which outlined the responsibilities of the Legislative Budget and Audit Committee, explaining that the main function of the committee was to provide the Alaska State Legislature with fiscal analysis, budget reviews, and audits. She relayed that statutes gave the committee several powers, including 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 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. 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. She directed attention to page 39 of the handbook which listed the policies and procedures, as well as the known dates of adoption for each. She reported that the procedures guided how the committee would do its business and included the release of an audit and the approval of an audit request, as well as contracts and travel. She discussed the confidential report release procedures outlined on page 47 of the handbook. She emphasized that statutes made the audit process confidential and that it was important for committee members and staff to take the necessary precautions to prevent the premature release of audit information before the committee had the opportunity for review and official release. She explained the two-step process for release of the reports. First, it was brought to the committee as a preliminary audit and distributed during the executive session for discussion of the report conclusions and recommendations. When the committee comes out of executive session, it would typically vote whether to release the preliminary audit back to an agency for its formal comments. The audit would remain confidential during the preliminary audit phase and any communications between the Legislative Auditor and the auditee were confidential. The formal comments by the auditee were attached to the preliminary audit and returned to the committee for consideration as a final audit. She stated

that a final audit would be sent to committee members ahead of a committee meeting and would be delivered to the member's office in a sealed envelope, marked "confidential," and printed on blue paper in order to distinguish this confidential audit from other documents. She added that it would be necessary for a staff member to sign for receipt of the audit.

6:20:11 PM

MS. CURTIS reported on the status of the current audits. She directed attention to the matrix of current audits [Included in members' packets]. She relayed that there were 6 special audits, 2 federal financial audits, and 3 sunset audits. She noted that the oldest performance audit was from 2013 regarding the overhaul and refurbishment of the Tustumena [ferry of the Alaska Marine Highway System], which had been approved and put on hold pending settlement of the litigation between the State of Alaska and the vendor. She reported that, as the litigation had been completed, she would evaluate the settlement, report back to the committee with a current status for the audit, and ask for direction from the committee for whether to go forward or terminate the request. She directed attention to the Medicaid and CHIP [Children's Health Insurance Program] eligibility audit. She explained that, as this audit required re-determination of eligibility for a sample of Medicaid and CHIP beneficiaries, it would be necessary to hire a consultant and she would return to the committee with a request for approval of the procurement contract. She added that a consultant would also be hired to test/review the IT [information technology] controls over the Department of Health and Social Services (DHSS) new Medicaid eligibility system, ARIES [Alaska's Resource for Integrated Eligibility Services]. She noted that the contractor would also review the edits to the Medicaid system, to ensure effective operation. She pointed to the December 2016 Medicaid and CHIP travel cost audit, noting that it was included in the members' packets. She directed attention to the first sentence under the first bullet at the bottom of page 1 and read: "identify Medicaid and CHIP travel expenditures from fiscal year 2014 (FY 14) through December 2016 and report the top 15 travel providers with the highest expenditures for FY 16." She asked that the committee consider an amendment to this first sentence which would allow review of information through December 2018 with a report to include FY 18 to share more current, accurate, helpful information.

6:23:02 PM

SENATOR BISHOP moved that the first bullet in the audit request dated December 2, 2016, related to Medicaid and CHIP travel costs, be amended to replace December 2016 with December 2018 and [replace] FY 16 with FY 18. There being no objection, it was so approved.

Executive Session

[6:23:46 PM](#)

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

[6:23:55 PM](#)

SENATOR BISHOP made a motion to move to executive session under Uniform Rule 22 of the Alaska Legislature for purpose of receiving legal guidance regarding the auditor's opinion on the FY 18 Comprehensive Annual Financial Report (CAFR) and discuss the FY 18 Statewide Single Audit. There being no objection, the Legislative Budget and Audit Committee went into executive session at 6:24 p.m.

[6:24:44 PM](#)

The committee took an at-ease from 6:24 p.m. to 7:54 p.m.

[7:54:39 PM](#)

CHAIR TUCK brought the committee back to order at 7:54 p.m.

[7:54:54 PM](#)

ADJOURNMENT

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 7:54 p.m.