

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

February 24, 2021

12:02 p.m.

MEMBERS PRESENT

Representative Ivy Spohnholz
Representative Andy Josephson
Representative Neal Foster
Representative James Kaufman
Representative Chris Tuck, Vice Chair

Senator Peter Micciche
Senator Lora Reinbold
Senator Bert Stedman
Senator Lyman Hoffman
Senator Natasha von Imhof, Chair

MEMBERS ABSENT

Senator Click Bishop (alternate)
Representative Dan Ortiz (alternate)

COMMITTEE CALENDAR

COMMITTEE ORGANIZATION/ELECTION OF CHAIR & VICE CHAIR
APPROVAL OF MINUTES
OVERVIEW OF COMMITTEE PROCESS

PREVIOUS COMMITTEE ACTION

No previous action to record
No previous action to record

WITNESS REGISTER

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

POSITION STATEMENT: Presented an overview of the Legislative Audit Division.

ALEXEI PAINTER, Director

Legislative Finance Division, Legislative Agencies and Offices
Juneau, Alaska

POSITION STATEMENT: Presented an overview of the Legislative Finance Division.

ACTION NARRATIVE

[12:02:29 PM](#)

CHAIR CHRIS TUCK called the Legislative Budget and Audit Committee meeting to order at 12:02 p.m. Representatives Kaufman, Spohnholz, Josephson, Foster, and Tuck and Senators Hoffman, Reinbold, Micciche, Stedman, and von Imhof were present at the call to order.

Committee Organization/Election of Chair & Vice Chair

[12:03:17 PM](#)

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

[12:03:23 PM](#)

SENATOR MICCICHE nominated Senator Natasha von Imhof as chair of the Legislative Budget and Audit Committee for the Thirty-Second Alaska State Legislature, and he asked that nominations be closed. There being no objection, it was so ordered.

[12:03:53 PM](#)

The committee took an at-ease from 12:03 to 12:04 p.m.

[12:04:29 PM](#)

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

[12:04:36 PM](#)

SENATOR STEDMAN nominated Representative Chris Tuck as vice chair of the Legislative Budget and Audit Committee for the Thirty-Second Alaska State Legislature, and he asked that nominations be closed. There being no objection, it was so ordered.

[12:04:57 PM](#)

CHAIR VON IMHOF welcomed the committee members and introduced staff to the committee. She noted that, unlike other legislative committees, the Legislative Budget and Audit Committee is governed by Alaska Statute and not by Uniform Rules. She referenced the committee handbook that was distributed to members and is available online at www.lba.akleg.gov.

[12:06:09 PM](#)

CHAIR VON IMHOF pointed out that certain motions require six votes to pass including releasing of audits and approval of revised programs - legislative (RPLs). She stated that alternates will only be called to vote [on motions] should a quorum be required and encouraged alternate members to attend and participate in discussions. She also noted that any member who has filed to run for public office other than a state legislative office is not permitted to serve on the committee.

Approval of Minutes

[12:06:45 PM](#)

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

[12:07:05 PM](#)

REPRESENTATIVE TUCK made a motion to approve the minutes of the Legislative Budget and Audit Committee of January 18, 2021. There being no objection, the minutes from the meeting of January 18, 2021, were approved.

Overview of Committee Process

[12:07:25 PM](#)

CHAIR VON IMHOF announced that the next order of business would be an overview of the committee process.

[12:07:45 PM](#)

KRIS CURTIS, Legislative Auditor, Legislative Audit Division, Legislative Agencies and Offices, gave a brief history of her

service to the division. She explained that it is the responsibility of the division to maintain the committee handbook, which contains the statutory authority of the committee and its two staffed agencies - the Legislative Audit Division and the Legislative Finance Division. She referenced page 39 of the handbook which marks the beginning of the policies and procedures for the committee. She added that many of the procedures have been in place since the 1950s and, when the date of adoption of policies and procedures is known, it is included in the handbook for reference. She highlighted areas of significance for the committee including the release of audit reports, approval of audit requests, and administrative functions such as contracts.

[12:09:07 PM](#)

MS. CURTIS referred to page 47 in the handbook which contains procedures for confidential report distribution. She explained that the audit process is statutorily confidential. She cautioned members against the premature release of audit information, and advised that, until the audit committee has reviewed and approved the release of audits, they should not be copied or distributed for any purpose. She explained the two-phase process for releasing reports consists of a preliminary report, which members do not see before the meeting, presented in executive session, after which the committee will vote to release the report to the agency [involved in the review]. The report remains confidential during this process. She explained that the agency has an opportunity to comment, and division staff compiles comments and brings them, along with the preliminary report, before the committee for consideration of release as a final public document. She explained that reports that are prepared for final approval of release by the committee will be distributed in a sealed envelope in advance of the committee meeting and will be marked "confidential." She noted that a committee's member or their staff's signature will be required to receive the documents, and that members could expect these [pre-release] reports to be printed on blue paper to distinguish them from other paperwork. She noted that during session, reports will be delivered at least two days prior to a meeting and that, during the interim, they will be delivered at least four days prior to a meeting.

[12:11:07 PM](#)

MS. CURTIS directed attention to the handout before the committee, entitled "Division of Legislative Audit, Audit

Status," which depicted the workload and status of assignments at the division. She pointed out that it listed six special audit requests, seven sunset audits, and one statewide financial audit. She noted that the special audit requests which have been assigned and work begun are the Alcoholic Beverage Control (ABC) Board Licensing, the Alaska Mental Health Trust Authority, and the Alaska CARES Act Small Business Relief. She explained that the audit status list contains seven sunset audits for the current year; all of these agencies have a sunset date of June 2022, and a bill to extend the programs must be passed in 2022 or the programs will terminate. She listed the sunset audits as: Regulatory Commission of Alaska, Council on Domestic Violence and Sexual Assault, State Physical Therapy and Occupational Therapy Board, Board of Pharmacy, ABC Board, Board of Chiropractic Examiners, and Board of Examiners in Optometry. She explained that the final item on the audit status list is the Statewide Single Audit for fiscal year 20(FY 20), which is [usually] due March 31; however, due to COVID-19, the federal government has extended the deadline until June 30, 2021. She stated her intention to bring the preliminary and final reports [for the Statewide Single Audit] prior to the end of the current legislative session.

[12:13:28 PM](#)

SENATOR MICCICHE asked how the division determines the order of [assignment] of performance audits.

MS. CURTIS answered that they are prioritized in a first-in/first-out basis, unless the committee directs the division to reprioritize, and exemplified the recent reprioritization of the COVID-19 small business relief performance review.

[12:14:00 PM](#)

SENATOR REINBOLD asked whether the statewide audit for FY 20 included all COVID-19 relief, including all RPLs, which she estimated to be \$ 6.1 billion.

MS. CURTIS answered by explaining that there exists a dollar amount threshold for either a type A- or a type B- [federal] program, and those which fall into the type B category are not subject to the audit. She added that only funds that have been expended [during FY 20] are subject to audit, and that additional funds will be spent after FY 20 and will be subject to the audit during the review of the year in which they were spent.

SENATOR REINBOLD asked whether the FY 20 review was through June 30 [2020].

MS. CURTIS confirmed that the June 30, 2020 date is correct with the caveat that the funds had to have been expended by that date.

[12:16:00 PM](#)

CHAIR VON IMHOF added that there are monthly reports on CARES Act funds submitted to the legislature and, although they are unaudited, they contain valuable information. She referred to the audit list and cautioned the committee members to be mindful of the workload assigned to the division and take into consideration the work required of the division to fulfill requests. She recalled that the committee may meet approximately four times [during a legislative session] but that meeting frequency could increase, especially considering that additional CARES Act funding could be made available. She added that meetings could take place following session and there exists the technology to accommodate telephonic meetings.

[12:17:44 PM](#)

REPRESENTATIVE JOSEPHSON asked whether the list of sunset audits was smaller than in years prior.

MS. CURTIS answered that sunset audits vary from year to year anywhere from ten to two or three. She added that the division is mindful of upcoming sunset audits and takes that into consideration when making recommendations.

[12:18:26 PM](#)

REPRESENTATIVE JOSEPHSON asked for clarification on what the division may make in its recommendation in a sunset audit.

MS. CURTIS explained that a sunset audit is a review of whether a board or commission or agency is serving the public interest and whether it should be extended and for how long- for a maximum of up to eight years. She added that the recommendations to either terminate or extend a program take into consideration the current and future workload of the division for other anticipated sunset audits.

[12:19:12 PM](#)

MS. CURTIS informed the committee that the U.S. Department of the Treasury had ordered a desk review audit of the State of Alaska's \$1.25 billion in COVID-19 spending. She said that the Department of Administration, Division of Finance will conduct an entrance conference with the U.S. Department of the Treasury. In response to Chair von Imhof, she said she did not know how long the audit would take.

[12:19:55 PM](#)

REPRESENTATIVE TUCK asked whether the federal audit would review all the CARES Act funds received.

MS. CURTIS postulated that the review would likely cover a certain period of time, and likely cover only funds which had been expended up to that time.

[12:20:21 PM](#)

REPRESENTATIVE TUCK asked whether the audit request was randomly selected or whether Ms. Curtis was aware of any concern [by the federal government].

MS. CURTIS answered that, while she did not know the exact reasons for the audit, Alaska has typically small [allocations], and she offered her assumption that the review selection procedure was likely random.

[12:20:45 PM](#)

REPRESENTATIVE TUCK asked how many other states [are subject to federal audit of CARES Act funds].

MS. CURTIS answered she does not know but offered to contact federal auditors to obtain more information.

CHAIR VON IMHOF requested Ms. Curtis acquire answers to Representative Tuck's questions, which she speculated are shared by the entire committee.

[12:21:05 PM](#)

MS. CURTIS informed the committee that the U.S. Department of the Treasury was identified to audit the funds as a part of the CARES Act. She offered her perception that the audit in

question is standard in process and that her view is that the audit is not a negative [reflection] in any way.

[12:21:33 PM](#)

CHAIR VON IMHOF suggested that the committee reconsider the request for special audit of the \$290 million in small business relief, should the federal audit result in the information sought during that special audit being made available to avoid a duplication of efforts.

[12:22:02 PM](#)

MS. CURTIS stated her recollection that the committee had asked for a review of the procurement process, which is not a typical scope of an audit. She added that any major federal program is additionally subject to outside audit of compliance with federal rules. She drew a distinction between what the committee had requested and what a federal audit would review.

[12:22:53 PM](#)

CHAIR VON IMHOF suggested that the \$290 million would be audited "every which way but Tuesday."

MS. CURTIS answered that the \$290 million would be subject to outside auditors, and that the division was reviewing the state's subrecipient monitoring of the data, which is a very narrow area of review.

[12:23:32 PM](#)

REPRESENTATIVE JOSEPHSON asked what workload impacts the federal review would have on division staff.

MS. CURTIS answered that the division would review the audit results and consider identified risks or findings going forward when designing audit procedures. She added that ongoing routine audits of federal programs remain unchanged for division staff.

[12:24:29 PM](#)

REPRESENTATIVE JOSEPHSON asked whether the division's role in the federal audit is a passive one.

MS. CURTIS, after clarifying that the U.S. Department of the Treasury audit is the one in question, stated that the division

remains available if information is requested and that the executive branch will provide the information requested for the review.

[12:25:24 PM](#)

REPRESENTATIVE SPOHNHOLZ asked whether the federal audit is a financial one, as contrasted with the review [of the \$290 million] as a performance one.

MS. CURTIS explained that a single audit is considered a financial audit whereas a special audit is one of performance review. She said that both audits are conducted in accordance with standards set forth by the Government Accountability Office, although the standards for each are different.

REPRESENTATIVE SPOHNHOLZ asked Ms. Curtis to describe objectives of a performance audit, such as the \$290 million.

MS. CURTIS offered her recollection that the performance review asked to examine the fairness of the grants award process and she referred the committee to the website for details specific to the objectives of the review.

REPRESENTATIVE SPOHNHOLZ suggested that the objectives of the federal audit and the committee's [special] audit request are very different and characterized the special audit as important to the committee's understanding of the program.

[12:27:52 PM](#)

ALEXEI PAINTER, Director, Legislative Finance Division, Legislative Agencies and Offices, explained that the Legislative Finance Division consists of fiscal analysts and secretaries for the legislative finance committees who work primarily with House and Senate Finance Committees. He added that the statute which governs the division allows for the Legislative Budget and Audit Committee to request reports, studies, and memoranda from the division. He added that the main interaction between the committee and the division is on RPLs. He described the process in which the Office of Management & Budget (OMB) submits RPLs to the division approximately two weeks prior to the committee meeting and the division prepares an analysis to bring before the committee. He explained that technical issues are resolved in cooperation with OMB staff, and when technical issues arise OMB will typically withdraw the RPL. He stated that the previous legislative session and interim was atypical due to

COVID-19 and the CARES Act funding. He added that RPLs originate in the executive branch and may proceed without legislative approval if no action is taken within 45 days.

12:30:01 PM

REPRESENTATIVE JOSEPHSON asked whether the only remedy to intervene with an RPL during the interim would be either a Legislative Budget and Audit Committee meeting or a special session.

12:30:27 PM

MR. PAINTER affirmed, yes, and added that should the committee not approve an RPL, it may be executed after 45 days unless a special session is convened.

12:30:42 PM

CHAIR VON IMHOF asked for confirmation that the committee may not amend an RPL.

MR. PAINTER affirmed that is correct and added that the committee may provide feedback and the request that the administration revise the RPL with recommendations, and that is usually confined to mainly technical issues.

12:31:26 PM

CHAIR VON IMHOF thanked the participants and encouraged efficient participation.

12:32:02 PM

ADJOURNMENT

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 12:32 p.m.