

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

May 9, 2024

5:07 p.m.

MEMBERS PRESENT

Representative Ben Carpenter, Chair
Senator Bert Stedman, Vice Chair
Representative Sarah Vance
Representative Frank Tomaszewski
Representative Andy Josephson
Senator Bill Wielechowski
Senator James Kaufman
Senator Scott Kawasaki
Representative Mike Cronk (alternate)
Senator Click Bishop (alternate)

MEMBERS ABSENT

Representative DeLena Johnson
Senator Lyman Hoffman

OTHER LEGISLATORS PRESENT

Representative Louise Stutes
Representative Sara Hannan
Senator Robert Myers
Senator Cathy Giessel
Senator David Wilson

COMMITTEE CALENDAR

APPROVAL OF MINUTES
EXECUTIVE SESSION
OTHER COMMITTEE BUSINESS

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

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

POSITION STATEMENT: Spoke to the FY 23 single audit release and the Alaska Railroad Corporation audit request.

SENATOR ROBERT MYERS
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented the Alaska Railroad Corporation Audit Request.

ACTION NARRATIVE

[5:07:06 PM](#)

CHAIR BEN CARPENTER called the Legislative Budget and Audit Committee meeting to order at 5:07 p.m. Representatives Vance, Tomaszewski, Josephson, Cronk (alternate), and Carpenter and Senators Wielechowski, Kaufman, Kawasaki, Bishop (alternate), and Stedman were present at the call to order.

APPROVAL OF MINUTES

[5:07:51 PM](#)

CHAIR CARPENTER announced that the first order of business would be the approval of minutes.

[5:07:56 PM](#)

SENATOR STEDMAN moved that the Legislative Budget and Audit Committee approve the minutes for the April 4, 2024, and May 7, 2024, meetings, as presented. There being no objection, the minutes were approved.

EXECUTIVE SESSION

[5:08:18 PM](#)

REPRESENTATIVE CARPENTER announced that the next order of business would be executive session.

[5:08:27 PM](#)

SENATOR STEDMAN moved that the Legislative Budget and Audit Committee go into executive session under Uniform Rule 22(b)(3) for the discussion of matters that may, by law, be required to be confidential. He asked that the following persons remain in the room or online: Emily Nauman, legislative services

director, and necessary staff; Kris Curtis, legislative auditor, and necessary staff; any legislators not on the committee; staff of legislators on the committee; and Senate Finance Committee staff. There being no objection, it was so ordered.

[5:09:33 PM](#)

The committee took an at-ease from 5:09 p.m. to 5:25 p.m. for the purpose of executive session.

[5:25:59 PM](#)

CHAIR CARPENTER called the Legislative Budget and Audit Committee meeting back to order at 5:25 p.m. Representatives Vance, Tomaszewski, Cronk (alternate), and Carpenter and Senators Wielechowski, Kaufman, Kawasaki, Bishop (alternate), and Stedman were present at the call back to order.

[5:26:22 PM](#)

REPRESENTATIVE CARPENTER announced that during the executive session, the committee discussed the single audit release for FY 23.

[5:26:48 PM](#)

SENATOR KAUFMAN explained that [the committee] had initiated a top-audit finding resolution process to try to reduce the quantity of findings and clear the most important ones from the books. He asked Ms. Curtis to provide an update on that process.

[5:27:19 PM](#)

KRIS CURTIS, Legislative Auditor, Legislative Audit Division, Legislative Agencies and Offices, explained that once the audit is released as a final public document, the [Legislative Audit Division] identifies top concerns from the single audit and any performance audits issued throughout the year. The concerns are presented to the Legislative Budget and Audit Committee and sent to the state departments with a request for their status in correcting those top audit findings. The committee then decides whether the findings require additional follow up during legislative session.

[5:28:17 PM](#)

SENATOR STEDMAN moved that the Legislative Budget and Audit Committee approve the audit release of the FY 23 Single Audit. There being no objection, it was so ordered.

OTHER COMMITTEE BUSINESS

[5:28:42 PM](#)

CHAIR CARPENTER announced that the final order of business would be the Alaska Railroad Corporation (ARRC) audit request from Senator Myers.

[5:28:59 PM](#)

The committee took an at-ease from 5:28 p.m. to 5:29 p.m.

[5:29:21 PM](#)

CHAIR CARPENTER asked Senator Myers to explain the ARRC audit request.

[5:29:44 PM](#)

SENATOR ROBERT MYERS, Alaska State Legislature, explained that shortly after he was elected, he was made aware of some issues with ARRC and its usage by constituents. He reported that a number of elected officials across the state raised similar issues regarding land use and rights-of-way. He said he did not have a problem with railroad operations or the corporation's finances; nonetheless, he said he was trying to find information on ARRC's land, its value, and how much money is made off the rights-of-way and land not directly related to railroad operations.

SENATOR STEDMAN asked whether ARRC had been nonresponsive to prior requests for information.

SENATOR MYERS shared his belief that his constituents had been stonewalled. He said ARRC put out just enough information to answer requests without satisfying concerns. He recalled that over the past few years, bills had been introduced to request audits of this type, but the corporation stymied that legislation. He concluded that a special audit would be another way of getting that information.

[5:32:26 PM](#)

SENATOR STEDMAN pointed out that often, information can be obtained from a department by request. He asked whether the inquiries to ARRC were made by Senator Myers or other elected officials, as opposed to constituents. In addition, he asked Ms. Curtis whether ARRC had refused to answer real estate-related inquiries regarding leases.

[5:33:48 PM](#)

MS. CURTIS sought to clarify whether Senator Stedman was asking whether she had reached out to ARRC with these specific questions.

STEDMAN STEDMAN said he was asking whether these inquiries had been made to ARRC and whether the corporation refused to answer them. In addition, he asked how long it would take the Legislative Audit Division to conduct an audit and whether background work had been performed.

MS. CURTIS stated that the division's backlog was looking "pretty good" right now with two audits "in the hopper." She added that she had helped craft the language in the Alaska Railroad Corporation Audit Request memorandum [included in the committee packet] by reviewing ARRC's outside audit.

[5:35:08 PM](#)

SENATOR STEDMAN asked whether ARRC had been unresponsive to a written request from Senator Myers.

SENATOR MYERS clarified that he did not send a written request to ARRC. All requests had been made in person or over the phone in an attempt to convey his constituents' concerns. He reiterated his opinion that ARRC had effectively been stonewalling.

SENATOR STEDMAN opined that an audit should be the last route because it takes time and costs money. He suggested that Senator Myers write the corporation a letter that includes a series of questions and an indication that failure to respond would result in an audit request. He shared his belief that this would be an easier way for ARRC to answer the senator's questions.

[5:37:30 PM](#)

SENATOR KAWASAKI agreed with Senator Stedman. He speculated that reporting on ARRC's non-operating revenues by source should be existing information that's either been in an audit or posted through the Federal Railroad Administration (FRA) or Federal Transit Administration (FTA).

MS. CURTIS assured the committee that nothing in the audit request was available through the outside audit.

SENATOR KAWASAKI opined that the process should start with a written request for information and if there's no response, the committee could pursue something more directly.

[5:38:52 PM](#)

SENATOR BISHOP agreed with the two previous speakers. He advised that the Senate Transportation Standing Committee could take the lead [on the written request] and build a track record. If there's no response, the Interior delegation could send the same letter. If both options fail, the Legislative Budget and Audit Committee [could proceed with the audit request].

REPRESENTATIVE VANCE noted that the ARRC had appeared before the House Transportation Standing Committee numerous times, and as vice chair, she was not satisfied with their answers, which were vague. She said she could see why Senator Myers was asking for more detailed answers to his questions. She reiterated that ARRC had provided numerous presentations to the House Transportation Standing Committee with beautiful photos and large numbers, but no detail. For that reason, she said she was in agreement with the special audit request.

[5:40:57 PM](#)

SENATOR STEDMAN asked when the Legislative Budget and Audit Committee would meet next.

CHAIR CARPENTER replied that the next meeting had not been scheduled.

SENATOR STEDMAN suggested that Senator Myers could send a formal written request and if the corporation does not respond, the audit could be taken up at the next Legislative Budget and Audit Committee meeting. He added that any sensitive questions or concerns could be discussed in executive session.

CHAIR CARPENTER asked whether the third bullet point in the Alaska Railroad Corporation audit request memorandum could be drafted into a question to the corporation.

MS. CURTIS said, "Certainly." She noted that there is a difference between [the information received from the commission] and the information gathered from an audit. She explained that the committee would want to tie the commission's responses to their audited financial statements to ensure that the information is complete and accurate.

[5:43:07 PM](#)

SENATOR KAWASAKI asked how much time and money this audit would require.

MS. CURTIS estimated 1,200 hours.

CHAIR CARPENTER asked for a projected timeline if the special audit were authorized today.

MS. CURTIS stated that the audit could be started in the spring of 2025 and completed by the fall.

[5:43:49 PM](#)

SENATOR WIELECHOSWKI, referencing bullet point number two, asked how granular the division would go in preparing a schedule of ARRC's assets and whether it would include pens, pencils, and paper clips, for example.

MS. CURTIS explained that the categories would include asset classes such as land, real property, road and roadway structures, equipment, right-of-way/easements, and leases.

[5:44:38 PM](#)

CHAIR CARPENTER said it seems that the information could be requested without an audit. He asked how the auditor would know whether the information provided was complete.

MS. CURTIS indicated that the information would be itemized and tied to ARRC's outside audit, which includes information about various assets.

CHAIR CARPENTER asked whether the same assessment could be conducted without an audit.

MS. CURTIS answered, "To some extent." Without an actual audit, there's nothing to compel ARRC to cooperate.

[5:45:57 PM](#)

SENATOR BISHOP suggested that Senator Myers lead with a letter from the Interior delegation.

CHAIR CARPENTER asked whether Senator Myers would be willing to draft a letter through the Legislative Budget and Audit Committee with the hope that it would carry more weight.

SENATOR MYERS said he would be interested and would like to include other legislators who have expressed similar concerns.

[5:47:18 PM](#)

SENATOR STEDMAN pointed out that if the committee "plays hardball" with an audit, it would be one year from January until action could be taken. He emphasized the effectiveness of asking questions during the budgetary process, indicating that other mechanisms were available, such as the House Transportation Standing Committee, the Senate Transportation Standing Committee, and both Finance Committees. He reiterated his belief that a direct letter would motivate ARRC to answer questions, which would be much easier than sitting in front of the Finance Committee.

CHAIR CARPENTER stated that if it's the will of the committee, a letter could be sent out. Following the letter, ARRC could come before the Legislative Budget and Audit Committee within 90 days to discuss the results of the letter.

[5:48:54 PM](#)

CHAIR CARPENTER said he would not seek the will of the committee at this time. He explained that his office would work with Senator Myers to draft a letter and move forward in that direction.

[5:49:26 PM](#)

ADJOURNMENT

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 5:49 p.m.