

Introduced: 1/19/87  
Referred: Judiciary and Finance

5-0216A

1 IN THE SENATE BY KELLY, ABOOD, STURGULEWSKI,  
AND FAIKS  
2 SENATE BILL NO. 65  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 FIFTEENTH LEGISLATURE - FIRST SESSION  
5 A BILL  
6 For an Act entitled: "An Act providing for a state auditor; establishing  
7 the state auditor's powers and duties; abolishing the  
8 legislative audit division; and providing for an  
9 effective date."  
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:  
11 \* Section 1. AS 37 is amended by adding a new chapter to read:  
12 CHAPTER 06. STATE AUDITOR.  
13 Sec. 37.06.010. QUALIFICATIONS. The state auditor shall have  
14 management experience and  
15 (1) hold a valid certificate under AS 08.04.100 as a  
16 certified public accountant;  
17 (2) be a certified internal auditor and a member in good  
18 standing of the Institute of Internal Auditors; or  
19 (3) be a certified management accountant and a member in  
20 good standing of the Institute of Certified Management Accountants.  
21 Sec. 37.06.020. POWERS AND DUTIES. (a) The state auditor  
22 elected or appointed under art. IX, sec. 17 or 18 of the state consti-  
23 tution, shall  
24 (1) review the annual compliance audits of the accounts of  
25 all state agencies;  
26 (2) review the annual compliance audits of the accounts of  
27 municipalities under AS 29.35.120;  
28 (3) review the annual compliance audits of the accounts of  
29 school districts in the state under AS 14.11.125 and AS 14.17.190;

1           (4) provide for management and program audits and investi-  
2 gations when required by the governor, the Legislative Budget and  
3 Audit Committee, or the chief justice of the supreme court;

4           (5) provide for management and program audits of boards and  
5 commissions designated in AS 08.03.010 and AS 44.66.010 and of those  
6 programs and activities subject to termination under AS 44.66.020 and  
7 44.66.030, and submit the report to the legislature no later than the  
8 first day of the regular session of the legislature convening in the  
9 year designated in AS 08.03.010 and AS 44.66 as the termination year  
10 for the board, commission, or program;

11           (6) review the compliance audits of all statements of  
12 financial condition of the state government and agencies of state  
13 government;

14           (7) report immediately to the governor, the attorney gen-  
15 eral, and the Legislative Budget and Audit Committee any unauthorized,  
16 illegal, irregular, or unsafe handling or expenditure of state money,  
17 or other improper practice of financial administration, and any ob-  
18 struction of the state auditor during the conduct of an audit or  
19 investigation;

20           (8) assist state agencies, municipalities, and school  
21 districts in establishing or improving their accounting systems;

22           (9) keep accounts showing the costs of audit operations and  
23 of each audit and investigation conducted, and other accounts neces-  
24 sary for administration of the state auditor's office.

25           (b) The state auditor may

26           (1) provide for a management or program audit or investi-  
27 gation of any matter related to state finance; and

28           (2) investigate and examine the conduct of officers who are  
29 authorized to receive, collect, or disburse money for the state, or

1 who manage or control property belonging to the state or in which the  
2 state is interested, or who make estimates or records that are used as  
3 a basis by a state agency in the disbursement of public money.

4 Sec. 37.06.030. EMPLOYEES. The state auditor may employ staff  
5 needed to carry out the duties of the office. Certified public  
6 accountants may be employed on a temporary basis for special assign-  
7 ments. Employees of the office of the state auditor are members of  
8 the exempt service under AS 39.25.110.

9 Sec. 37.06.040. ACCESS TO RECORDS AND TESTIMONY. (a) The state  
10 auditor has access at all times to records, accounts, reports,  
11 vouchers, correspondence, files, books, money, and property, whether  
12 confidential or not, of every state agency, municipality or school  
13 district subject to the audit and investigative authority of the state  
14 auditor. An officer or employee of a state agency who possesses or  
15 controls records or property shall permit access to and examination of  
16 them upon the request of the state auditor or an agent authorized by  
17 the state auditor to make the request.

18 (b) The state auditor may require information on oath from a  
19 person regarding matters relating to an account that the state auditor  
20 is authorized to audit. The state auditor may summon a person to  
21 appear and to give testimony or answer interrogatories under oath  
22 respecting audit matters.

23 Sec. 37.06.050. AUDIT AND INVESTIGATION REPORTS. (a) Upon  
24 completion of each audit or investigation under this chapter, the  
25 auditor or investigator shall prepare a report containing findings and  
26 recommendations. The state auditor shall review reports that are not  
27 prepared by the state auditor to determine accuracy, completeness, and  
28 compliance with audit standards. If the state auditor finds that a  
29 report is inaccurate, incomplete, or fails to comply with audit

1 standards, the state auditor shall return it to the auditor or in-  
2 vestigator who prepared it and to the agency, municipality, or school  
3 district concerned together with a notice of deficiencies. The  
4 auditor or investigator shall correct the report and resubmit it to  
5 the state auditor.

6 (b) If the state auditor approves a report or a corrected  
7 report, the auditor or investigator shall furnish a copy of the report  
8 and the notice of approval to the governor, the legislature, the state  
9 auditor, and to the head of the agency, municipality, or school dis-  
10 trict concerned. Unless a report is based on or contains information  
11 made confidential by law or protected by the right to privacy estab-  
12 lished in art. I, sec. 22, of the state constitution, the state audi-  
13 tor shall release the report to the public.

14 (c) If the auditor or investigator fails to correct the report,  
15 the state auditor shall disapprove the report. If the state auditor  
16 disapproves a report concerning an agency, the state auditor shall  
17 notify the agency head and the governor, chief justice of the supreme  
18 court, legislative council, or board of regents. The auditor or  
19 investigator shall furnish a copy of the report to the governor, the  
20 legislature, the state auditor, and to the head of the agency, munici-  
21 pality, or school district concerned. If the state auditor disap-  
22 proves a report concerning a municipality or a school district, the  
23 state auditor shall notify the governing body and shall serve a notice  
24 of intent to withhold funds under AS 37.06.060 on the governing body.

25 (d) The state auditor shall prepare and submit to the legisla-  
26 ture an annual report of activities, summarizing the findings and  
27 recommendations of each audit and investigation report and presenting  
28 other findings and recommendations considered necessary.

29 Sec. 37.06.060. REVIEW OF REPORTS. (a) Upon receiving an

1 approved audit or investigation report under AS 37.06.050, the head of  
2 the agency or the governing body of the municipality or school dis-  
3 trict concerned shall review the report and determine the measures  
4 necessary to correct the deficiencies identified. Within 30 days  
5 after receiving the report, the agency head or the governing body  
6 shall file with the state auditor a written response setting out the  
7 corrections proposed. The response may dispute the findings of the  
8 auditor or investigator. The state auditor shall review the response.  
9 If the state auditor approves the response, the state auditor shall  
10 notify the agency or governing body of the approval.

11 (b) If the state auditor disapproves an audit of a municipality  
12 or school district under AS 37.06.050 or the response of a municipali-  
13 ty or school district, the state auditor shall serve a notice of  
14 intent to withhold funds on the governing body. The notice shall  
15 inform the governing body of the

16 (1) inaccuracy, omission, or noncompliance with audit  
17 standards of a report; or

18 (2) deficiencies identified by an approved report for which  
19 the governing body has failed to propose adequate corrections and  
20 shall identify methods for making the corrections.

21 (c) After service of the notice of intent to withhold funds, the  
22 governing body may request a hearing under the Administrative Proce-  
23 dure Act (AS 44.62). In addition, the governing body may request an  
24 informal conference with the state auditor. If a conference is re-  
25 quested, the state auditor shall postpone the hearing until the con-  
26 ference is adjourned.

27 (d) If, after a hearing, the state auditor finds that the audi-  
28 tor or investigator has failed to correct the report or the governing  
29 body has failed to adopt an adequate plan to correct deficiencies, the

1 state auditor may order that state funds be withheld from the munici-  
2 pality or school district for approved school construction projects  
3 under AS 14.11, the public school foundation program under AS 14.17,  
4 municipal tax resource equalization under AS 29.60.010 - 29.60.080,  
5 state aid to municipalities for miscellaneous purposes under AS 29.-  
6 60.100 - 29.60.180, or grants to municipalities under AS 37.05.315  
7 until the governing body adopts an adequate plan. The state auditor  
8 shall certify the findings and order to the director of the office of  
9 management and budget. The director shall immediately instruct the  
10 commissioner of administration to withhold from distribution to the  
11 municipality or school district 50 percent of the money for that  
12 fiscal year remaining to be distributed for a program identified in  
13 the order. If the legislature suspends the operation of any of the  
14 programs identified in the order and establishes a substitute program  
15 for the period of suspension, the director shall instruct the commis-  
16 sioner to withhold from distribution 50 percent of all money for that  
17 fiscal year remaining to be distributed to the municipality or school  
18 district under the substitute program.

19 (e) The governing body of the municipality or school district  
20 from which funds are withheld may petition the state auditor to au-  
21 thorize the release of funds. The state auditor shall authorize the  
22 director of the office of management and budget to release the funds  
23 if the state auditor finds that the auditor or investigator has  
24 corrected the report or the governing body has taken adequate action  
25 to correct the deficiencies identified in the report.

26 Sec. 37.06.070. FOLLOW-UP AUDITS AND INVESTIGATIONS. (a) The  
27 state auditor may provide for a follow-up audit or investigation of  
28 any matter audited or investigated under this chapter. A follow-up  
29 audit or investigation shall comply with this chapter.

1 (b) The state auditor shall provide for a follow-up audit or  
2 investigation if the initial report revealed

3 (1) evidence of fraud, abuse, or illegal acts;

4 (2) substantial noncompliance with applicable laws and  
5 regulations; or

6 (3) material weaknesses in internal accounting controls.

7 Sec. 37.06.080. CONFLICT OF INTEREST. (a) The state auditor  
8 and employees of the state auditor may not serve in ex officio or  
9 other capacity on a board, commission, or other administrative agency  
10 of state government.

11 (b) The state auditor and the professional staff of the state  
12 auditor are subject to AS 39.50 (conflict of interest).

13 Sec. 37.06.090. AUDIT STANDARDS. The state auditor shall estab-  
14 lish by regulation standards for conducting audits consistent with  
15 generally accepted government auditing standards. To comply with  
16 federal regulations the audit standards may specify separate or parti-  
17 cular standards applicable only to audits of federal grants, aid, or  
18 trust funds administered by state agencies. Audit standards estab-  
19 lished under this section govern audits contracted for, conducted, or  
20 reviewed by the state auditor.

21 Sec. 37.06.100. AUDIT CONDUCT AND RECORDS. (a) When conducting  
22 an audit the state auditor may

23 (1) require the assistance and cooperation of all state  
24 officials and employees;

25 (2) ascertain, as necessary for audit verification, the  
26 amount of agency funds on deposit in any bank as shown on the books of  
27 the bank; a bank may not be held liable for making information re-  
28 quired under this paragraph available to the state auditor.

29 (b) The state auditor shall keep a complete file of all audit

1 reports and other reports or releases issued by the office, and a com-  
2 plete file of audit work papers and other related supportive material  
3 for each report prepared by the state auditor's office. The state  
4 auditor shall also keep a complete and accurate record of all fiscal  
5 transactions involving the office. Audit records are confidential  
6 unless an audit report based on the records has been released to the  
7 public under AS 37.06.050.

8 Sec. 37.06.110. CONTRACT AUDITS. To the greatest extent practi-  
9 cable, the state auditor shall contract with certified public accoun-  
10 tants licensed under AS 08.04 and certified internal auditors to  
11 conduct financial and compliance audits. The state auditor may also  
12 contract with certified public accountants licensed under AS 08.04 and  
13 certified internal auditors to conduct management and program audits.  
14 An audit conducted under this section shall conform to the audit  
15 standards established by the state auditor.

16 Sec. 37.06.120. PAYMENT FOR ANNUAL AUDITS. A school board,  
17 municipality, or independent state authority, bank or corporation,  
18 including the Alaska Railroad Corporation and the Alaska Permanent  
19 Fund, on which the state auditor performs an annual audit shall reim-  
20 burse the state auditor for the cost of the audit.

21 Sec. 37.06.130. LEGAL COUNSEL. (a) The attorney general shall  
22 advise the state auditor in legal matters arising in the discharge of  
23 the state auditor's duties and shall represent the state auditor in  
24 suits to which the state auditor is a party. The state auditor may  
25 employ independent legal counsel for proceedings and court actions in  
26 which the attorney general is representing another agency of the state  
27 government or if the state auditor determines that employment of  
28 independent legal counsel will better serve the needs of the office of  
29 the state auditor.

1 (b) The state auditor shall inform the attorney general in  
2 writing of the need for the attorney general to direct a prosecution  
3 in the name of the state against a person for an illegal act or omis-  
4 sion discovered in the course of the state auditor's official duties.

5 Sec. 37.06.140. PROCEDURE. The state auditor shall adopt regu-  
6 lations and conduct hearings under the Administrative Procedure Act  
7 (AS 44.62).

8 Sec. 37.06.150. REMOVAL. The legislature, by a concurrent  
9 resolution adopted by a roll call vote of two-thirds of the members in  
10 each house entered in the journal, may remove or suspend the state  
11 auditor from office, but only for neglect of duty, misconduct, or  
12 disability.

13 Sec. 37.06.200. DEFINITIONS. In this chapter

14 (1) "agency" means a department, office, institution,  
15 corporation, authority, board, commission, bureau, division, or other  
16 administrative unit forming the state government, including the legis-  
17 lative, executive, and judicial branches of government and the Univer-  
18 sity of Alaska;

19 (2) "compliance audit" means a post audit that determines  
20 (A) whether the financial statements of an audited  
21 entity present fairly the financial position and the results of  
22 financial operations in accordance with generally accepted ac-  
23 counting principles; and

24 (B) whether the entity has complied with laws and  
25 regulations that may have a material effect upon the financial  
26 statements;

27 (3) "generally accepted government auditing standards"  
28 means those audit standards set out in the publication "Standards for  
29 Audit of Governmental Organizations, Programs, Activities, and

1 Functions," issued by the United States General Accounting Office;

2 (4) "investigation" means an inquiry into specified acts or  
3 allegations of impropriety, malfeasance or nonfeasance in the obliga-  
4 tion, expenditure, receipt or use of public funds of the state, or  
5 into specified financial transactions or practices that may involve  
6 impropriety, malfeasance or nonfeasance;

7 (5) "management audit" means a post audit that determines

8 (A) whether the audited entity is managing and utiliz-  
9 ing its resources, including personnel, property, and space,  
10 economically and efficiently;

11 (B) causes of inefficiencies or uneconomical prac-  
12 tices; and

13 (C) whether the entity has complied with laws and  
14 regulations concerning matters of economy and efficiency;

15 (6) "program audit" means a post audit that determines  
16 whether an agency

17 (A) is achieving the desired results or benefits  
18 established by the legislature or other authorizing body; and

19 (B) has considered alternatives that might yield  
20 desired results at a lower cost;

21 (7) "state auditor" means the state auditor under art. IX,  
22 sec. 17 or 18 of the state constitution.

23 \* Sec. 2. AS 14.11.125(b) is amended to read:

24 (b) Each borough or city that [WHICH] is a school district shall  
25 maintain financial records of the receipt and disbursement of state  
26 funds received under AS 14.11.105 - 14.11.135 and money provided  
27 toward local effort. The records must [SHALL] be in the form pre-  
28 scribed by the department and are subject to audit by it at any time.  
29 The department may contract with an independent outside auditor to

1 perform the audit. The audit shall conform to audit standards adopted  
2 by the state auditor under AS 37.06.090.

3 \* Sec. 3. AS 14.17.190(b) is amended to read:

4 (b) Each district shall maintain financial records of the re-  
5 ceipt and disbursement of public school foundation money and money  
6 acquired from local effort. The records must be in the form required  
7 by the commissioner and are subject to audit by the commissioner or  
8 the board at any time. The commissioner or the board may contract  
9 with an independent outside auditor to perform the audit. The audit  
10 shall conform to audit standards adopted by the state auditor under  
11 AS 37.06.090.

12 \* Sec. 4. AS 18.55.996(i) is amended to read:

13 (i) A housing authority created under this section shall have  
14 its financial records audited annually by an independent outside  
15 auditor. The audit shall conform to audit standards adopted by the  
16 state auditor under AS 37.06.090 [CERTIFIED PUBLIC ACCOUNTANT]. The  
17 state [LEGISLATIVE] auditor may prescribe the form and content of the  
18 financial records of the housing authority and shall have access to  
19 these records at any time.

20 \* Sec. 5. AS 18.56.089 is amended to read:

21 Sec. 18.56.089. EXECUTIVE BUDGET ACT. The operating budget of  
22 the corporation is subject to the Executive Budget Act (AS 37.07). To  
23 further ensure effective budgetary decision making by the legislature,  
24 the corporation shall present a complete accounting of all assets of  
25 the corporation, including assets of the Alaska housing finance re-  
26 volving fund, to the legislature by January 10 of each year. The  
27 accounting shall be audited by an independent outside auditor and  
28 shall include a full description of all mortgage loan interest and  
29 principal repayments and program receipts, including mortgage loan

1 commitment fees, received by or accrued to the corporation during the  
2 preceding fiscal year, and all income earned on assets of the corpo-  
3 ration during that period, including earnings on assets of the state  
4 assisted mortgage fund. The audit shall conform to audit standards  
5 adopted by the state auditor under AS 37.06.090.

6 \* Sec. 6. AS 18.56.200(b) is amended to read:

7 (b) By January 10 of each year, the board shall publish a report  
8 of the corporation for distribution to the governor, legislature, and  
9 the public. The report shall be written in easily understandable  
10 language. The report shall include a financial statement audited by  
11 an independent outside auditor, a statement of corporation investments  
12 in mortgage loans under this chapter, including an estimate of market  
13 value of the mortgage loans, a comparison of the corporation perfor-  
14 mance with the goals of the corporation, and the levels of bonding and  
15 investment activities anticipated in the previous year's report under  
16 (c) of this section, and any other information the board believes  
17 would be of interest to the governor, the legislature, and the public.  
18 The audit shall conform to audit standards adopted by the state audi-  
19 tor under AS 37.06.090. The annual income statement and balance sheet  
20 of the corporation shall be published in at least one newspaper in  
21 each judicial district. The board may also publish other reports it  
22 considers desirable to carry out its purpose.

23 \* Sec. 7. AS 24.20.140 is amended to read:

24 Sec. 24.20.140. APPROPRIATIONS. Appropriations for carrying out  
25 AS 24.20.010 - 24.20.140 shall be set forth in the general appropria-  
26 tion bill or in [SUCH] other bills as may be necessary. The council  
27 may direct the executive director to transfer amounts from one appro-  
28 priation to another if the transfer is considered necessary to accom-  
29 plish the work of the council. The council may not exceed the total

1 amount of the authorized appropriation. All expenditures of the  
2 council are subject to an annual [INDEPENDENT] audit by an independent  
3 outside auditor. The audit shall conform to audit standards adopted  
4 by the state auditor under AS 37.06.090 [WHICH SHALL BE MADE ANNUAL-  
5 LY].

6 \* Sec. 8. AS 24.20.201(a) is amended to read:

7 (a) The Legislative Budget and Audit Committee may [HAS THE  
8 POWER TO:]

9 (1) organize, adopt rules for the conduct of its business  
10 and prescribe procedures for the comprehensive fiscal analysis and [,]  
11 budget review [AND POST-AUDIT] functions;

12 (2) hold public hearings, administer oaths, issue sub-  
13 poenas, compel the attendance of witnesses and production of papers,  
14 books, accounts, documents and testimony, and have the deposition of  
15 witnesses taken in a manner prescribed by court rule or law for taking  
16 depositions in civil actions;

17 (3) require all state officials and agencies of state  
18 government to give full cooperation to the committee or its staff in  
19 assembling and furnishing requested information;

20 (4) review revenue projections, state agency appropriation  
21 requests, the expenditure of state funds, including the relationship  
22 between state agency program accomplishments and legislative intent,  
23 and the fiscal policies and procedures of state government;

24 (5) review and approve proposed changes to agency author-  
25 ized budgets as provided in the Executive Budget Act (AS 37.07);

26 (6) make recommendations concerning appropriations, their  
27 expenditure and the fiscal policies and procedures of state government  
28 to the governor when appropriate, and to the legislature;

29 (7) prepare and distribute reports, memoranda or other

1 necessary materials;

2 (8) sue in the name of the legislature during the interim  
3 between sessions if authorized by majority vote of the full membership  
4 of the committee;

5 (9) hold public hearings on the confirmation of the members  
6 of the Board of Trustees of the Alaska Permanent Fund Corporation;

7 (10) make recommendations to the legislature and to agencies  
8 of the state that [WHICH] perform lending or investment functions  
9 concerning the structure and operating practices of the agencies;

10 (11) enter into and enforce all contracts necessary or  
11 desirable for the functions of the committee;

12 (12) review the [PROVIDE FOR] annual post audits of the  
13 Alaska Housing Finance Corporation and the Alaska Industrial Develop-  
14 ment Authority.

15 \* Sec. 9. AS 24.20.201 is amended by adding a new subsection to read:

16 (c) The committee shall provide for an annual post audit of the  
17 Office of the State Auditor by an independent outside auditor. The  
18 committee shall distribute the audit report to the governor, the  
19 legislature, and the public.

20 \* Sec. 10. AS 24.20.206 is amended to read:

21 Sec. 24.20.206. DUTIES. The Legislative Budget and Audit Com-  
22 mittee shall

23 (1) report to the legislature its recommendations relating  
24 to the confirmation of appointees to the Board of Trustees of the  
25 Alaska Permanent Fund Corporation;

26 (2) annually review the long-range operating plans of all  
27 agencies of the state that [WHICH] perform lending or investment  
28 functions;

29 (3) review periodic reports from all agencies of the state

1 that [WHICH] perform lending or investment functions;  
2 (4) present a complete report of investment programs,  
3 plans, performance, and policies of all agencies of the state that  
4 [WHICH] perform lending or investment functions to the legislature  
5 within 30 days after the convening of each regular session;  
6 (5) present to the legislature within 30 days after the  
7 convening of each regular session a review of the report of the gover-  
8 nor under AS 37.07.020(d) with recommendations for needed legislation;  
9 (6) in conjunction with the finance committee of each house  
10 recommend annually to the legislature the investment policy for the  
11 general fund surplus and for the income from the permanent fund;  
12 (7) review the [PROVIDE FOR AN] annual post audit and  
13 annual management and program audit [OPERATIONAL AND PERFORMANCE  
14 EVALUATION] of the Alaska Permanent Fund Corporation investments and  
15 investment programs prepared by an independent outside auditor;  
16 (8) review the annual post audit and [PROVIDE FOR AN]  
17 annual management and program audit [OPERATIONAL AND PERFORMANCE  
18 EVALUATION] of the Alaska Housing Finance Corporation and the Alaska  
19 Industrial Development Authority prepared by independent outside  
20 auditors; the management and program audit [PERFORMANCE EVALUATION]  
21 shall include, but is not limited to, a comparison of the impact on  
22 various sectors of the economy by public and private lending, the  
23 impact on resident and nonresident employment, the impact on real  
24 wages, and the impact on state and local operating and capital budgets  
25 of the programs of the Alaska Housing Finance Corporation and the  
26 Alaska Industrial Development Authority.

27 \* Sec. 11. AS 24.20.281 is amended to read:  
28 Sec. 24.20.281. [SPECIAL] AUDIT REQUEST. A member of the legis-  
29 lature may, in writing and with at least six days notice, request that

1 the budget and audit committee direct a management or program [SPE-  
2 CIAL] audit or investigation of any state agency or determine the  
3 propriety of any expenditure of state funds received by any political  
4 subdivision or other entity obtaining state funds. Should a majority  
5 of the committee vote to approve the request, the state auditor shall  
6 provide for or conduct [LEGISLATIVE AUDIT DIVISION SHALL MAKE] the  
7 audit.

8 \* Sec. 12. AS 24.20.291 is amended to read:

9 Sec. 24.20.291. CONFLICT OF INTEREST. The [LEGISLATIVE AUDITOR,  
10 THE SUPERVISOR OF AUDIT, THE] legislative fiscal analyst and members  
11 of the staff of the legislative finance division [AND AUDIT DIVISIONS]  
12 may not serve in ex officio or other capacity on any board, [( ) except  
13 as authorized in AS 24.20.231(6) ( )], commission or other administra-  
14 tive agency of state government; nor may they have a financial inter-  
15 est in transactions involving any agency of state government.

16 \* Sec. 13. AS 24.55.330(2) is amended to read:

17 (2) "agency" includes a department, office, institution,  
18 corporation, authority, organization, commission, committee, council  
19 or board of a municipality or in the executive, legislative or judi-  
20 cial branches of the state government, and a department, office,  
21 institution, corporation, authority, organization, commission, commit-  
22 tee, council or board of a municipality or of the state government  
23 independent of the executive, legislative and judicial branches; it  
24 also includes an officer, employee or member of an "agency" acting or  
25 purporting to act in the exercise of official duties, but does not  
26 include the governor, lieutenant governor, state auditor, a member of  
27 the legislature, justice of the supreme court, judge of the court of  
28 appeals, a superior court judge, district court judge, magistrate,  
29 member of a city council or borough assembly, elected city or borough

1 mayor, or a member of an elected school board;

2 \* Sec. 14. AS 24.60.050(e) is amended to read:

3 (e) The state auditor [DIVISION OF LEGISLATIVE AUDIT] shall  
4 annually review state loans granted to or held by persons to whom this  
5 chapter applies to determine whether appropriate procedures were  
6 observed in granting or reviewing the loans and whether loan condi-  
7 tions imposed by the lending agency are being enforced. The state  
8 auditor [DIVISION] shall report the [ITS] findings to the committee by  
9 April 1.

10 \* Sec. 15. AS 29.35.120(a) is amended to read:

11 (a) The governing body shall provide for an annual independent  
12 audit of the accounts and financial transactions of the municipality  
13 or, in the case of a second class city, an audit or statement of  
14 annual income and expenditures. To make the audit the governing body  
15 shall designate a public accountant who has no personal interest,  
16 direct or indirect, in the fiscal affairs of the municipality. The  
17 audit shall conform to audit standards adopted by the state auditor  
18 under AS 37.06.090. Copies of the audit shall be available to the  
19 public upon request.

20 \* Sec. 16. AS 30.13.125 is amended to read:

21 Sec. 30.13.125. AUDIT. The state [LEGISLATIVE] auditor shall  
22 audit or shall cause to have audited annually the financial records of  
23 an authority. The audit shall conform to audit standards adopted by  
24 the state auditor under AS 37.06.090. The state [LEGISLATIVE] auditor  
25 may prescribe the form and content of the financial records of an  
26 authority and shall have access to these records at any reasonable  
27 time.

28 \* Sec. 17. AS 35.10.135 is amended to read:

29 Sec. 35.10.135. PUBLIC FACILITY PLANNING FUND. There is

1 established within the Office of the Governor, office of management  
2 and budget a public facility planning fund. The fund is a capital  
3 fund and consists of (1) money appropriated by the legislature, (2)  
4 money reimbursed to it from the proceeds of the sales of general  
5 obligation bonds and revenue bonds issued for projects and (3) money  
6 reimbursed to it from appropriations for any projects for which money  
7 from the fund has been spent. The fund is available for expenditure,  
8 on a reimbursable basis, only for the purposes of providing working  
9 capital for facility program planning and for facility procurement  
10 planning as specified in this chapter. All expenditures from the fund  
11 are subject to an [INDEPENDENT] audit which shall be made annually by  
12 an independent outside auditor and reported to the governor and the  
13 legislature. The audit shall conform to audit standards adopted by  
14 the state auditor under AS 37.06.090.

15 \* Sec. 18. AS 37.05.210 is amended to read:

16 Sec. 37.05.210. FISCAL REPORTING AND STATISTICS. The Department  
17 of Administration shall

18 (1) at least once each month and annually, prepare reports  
19 as of the close of the preceding month or fiscal year showing the  
20 financial condition of each fund as of the close of the respective  
21 period and the transactions of each fund for those periods;

22 (2) file with the governor and with the state [LEGISLATIVE]  
23 auditor before October 16 a report of the financial transactions of  
24 the preceding fiscal year and of the financial condition of the state  
25 as of the end of that year, with comments and supplementary data that  
26 [WHICH] it considers necessary; this report shall be printed for the  
27 information of the legislature and the public;

28 (3) compile statistics necessary for the budget and other  
29 statistics required by the governor.

1 \* Sec. 19. AS 37.10 is amended by adding a new section to read:  
2       Sec. 37.10.066. ANNUAL AUDITS. Unless otherwise provided by  
3 law, a state agency shall have its financial records audited annually  
4 by an independent outside auditor. The audit shall conform to audit  
5 standards adopted by the state auditor under AS 37.06.090.

6 \* Sec. 20. AS 37.12.100 is amended to read:  
7       Sec. 37.12.100. ANNUAL AUDIT. The corporation shall have its  
8 financial record audited annually by an independent outside auditor.  
9 The audit shall conform to audit standards adopted by the state audi-  
10 tor under AS 37.06.090. The state [LEGISLATIVE] auditor may prescribe  
11 the form and content of the financial record of the corporation and  
12 shall have access to these records at any time.

13 \* Sec. 21. AS 37.13.160 is amended to read:  
14       Sec. 37.13.160. AUDITS. The Legislative Budget and Audit Com-  
15 mittee may request the state auditor to perform or provide for an  
16 annual post audit and annual management and program audit [OPERATIONAL  
17 AND PERFORMANCE EVALUATIONS] of the corporation's investments and  
18 investment programs.

19 \* Sec. 22. AS 37.13.170 is amended to read:  
20       Sec. 37.13.170. REPORTS AND PUBLICATIONS. By September 30 of  
21 each year, the board shall publish a report of the corporation for  
22 distribution to the governor, legislature, and the public. The report  
23 shall be written in easily understandable language. The report must  
24 include financial statements audited by independent outside auditors,  
25 a statement of the amount of money received by the Alaska permanent  
26 fund from each investment during the period covered, a statement of  
27 investments of the corporation including an appraisal at market value,  
28 a description of corporation investment activity during the period  
29 covered by the report, a comparison of the corporation performance

1 with the intended goals contained in AS 37.13.020, an examination of  
2 the impact of the investment criteria of this chapter on the corpo-  
3 ration portfolio with recommendations of any needed changes, and any  
4 other information the board believes would be of interest to the  
5 governor, the legislature, and the public. The audit shall conform to  
6 audit standards adopted by the state auditor under AS 37.06.090. The  
7 annual income statement and balance sheet of the corporation shall be  
8 published in at least one newspaper in each judicial district. The  
9 income statement and balance sheet for the two fiscal years preceding  
10 the publication of the election pamphlet under AS 15.58 shall be  
11 included in that pamphlet.

12 \* Sec. 23. AS 39.20.050 is amended to read:

13 Sec. 39.20.050. EXCLUSIVE COMPENSATION. The compensation fixed  
14 by law for the governor, [AND] lieutenant governor, and state auditor  
15 is in full for all services rendered by each of them in any official  
16 capacity or employment [WHATSOEVER] during their respective terms of  
17 office, and shall be paid throughout their respective terms of office  
18 unless the office becomes vacant.

19 \* Sec. 24. AS 39.20.060 is amended to read:

20 Sec. 39.20.060. EXCLUSION OF GOVERNOR, [AND] LIEUTENANT GOVER-  
21 NOR AND STATE AUDITOR FROM PERSONNEL LAWS. Notwithstanding the pro-  
22 visions of any other law, the governor, [AND] lieutenant governor, and  
23 state auditor are not considered employees of the state for the pur-  
24 pose of state personnel laws relating to hours of employment, annual  
25 leave, sick leave, overtime, compensatory time, and travel allowances.  
26 This section does not [NOTHING IN THIS SECTION SHALL BE CONSTRUED TO]  
27 deprive the governor, [AND] lieutenant governor, or state auditor of  
28 the right to participate in the state retirement system or in state  
29 group insurance plans.

1 \* Sec. 25. AS 39.20.310 is amended to read:  
2       Sec. 39.20.310. EXCEPTIONS. AS 39.20.200 - 39.20.330 do not  
3 apply to  
4       (1) members of the state legislature, the governor, the  
5 lieutenant governor, the state auditor, and justices and judges of the  
6 supreme and superior courts and of the court of appeals, but nothing  
7 in AS 39.20.200 - 39.20.330 may be construed to diminish the salaries  
8 fixed by law for these officers by reason of absence from duty on  
9 account of illness or otherwise;  
10       (2) magistrates serving the state on less than a full-time  
11 basis;  
12       (3) officers, members of the teaching staff, and employees  
13 of the University of Alaska;  
14       (4) [Repealed  
15       (5)] persons employed in a professional capacity to make a  
16 temporary and special inquiry, study, or examination as authorized by  
17 the governor, the state auditor, the legislature, or a legislative  
18 committee;  
19       (5) [(6)] members of boards, commissions, and authorities  
20 who are not otherwise employed by the state;  
21       (6) [(7)] temporary employees hired for periods of less  
22 than 12 consecutive months;  
23       (7) [(8)] persons employed by the division of marine  
24 transportation as masters and members of the crews operating the state  
25 ferry system who are covered by collective bargaining agreements as  
26 provided in AS 23.40.040, except as expressly provided by law; or [.]  
27       (8) [(9)] persons employed by the state who are covered by  
28 collective bargaining agreements as provided in AS 23.40.210, except  
29 as expressly provided by law.

1 \* Sec. 26. AS 39.25.110 is amended by adding a new paragraph to read:

2 (24) employees of the Office of State Auditor.

3 \* Sec. 27. AS 39.50.020(b) is amended to read:

4 (b) The governor, lieutenant governor, members of the legisla-  
5 ture, and candidates for these offices, judicial officers, the state  
6 auditor, each commissioner, head or deputy head of, or director of a  
7 division within, a department in the executive branch, assistant to  
8 the governor or chairman or member of a commission or board required  
9 to report under this chapter, shall file the statement with the Alaska  
10 Public Offices Commission. Municipal officers, and candidates for  
11 elective municipal office, shall file with the municipal clerk or  
12 other municipal official designated to receive their filing for of-  
13 fice. All statements required to be filed under this chapter are  
14 public records.

15 \* Sec. 28. AS 39.50.130 is amended to read:

16 Sec. 39.50.130. REPORT OF FINANCIAL INTERESTS OF GOVERNOR, [AND]  
17 LIEUTENANT GOVERNOR, AND STATE AUDITOR. The governor, [AND] lieu-  
18 tenant governor and state auditor shall each file a report of finan-  
19 cial interests required by this chapter. If the governor, [OR] lieu-  
20 tenant governor, or state auditor fails to file the report when due,  
21 salary, per diem, and travel expenses after the due date are forfeited  
22 and may not be paid until compliance, and the person is guilty of a  
23 misdemeanor and upon conviction is punishable by a fine of not less  
24 than \$100 nor more than \$1000.

25 \* Sec. 29. AS 39.50.200(a)(8) is amended to read:

26 (8) "public official" means a judicial officer, a member of  
27 the legislature, the fiscal analyst of the legislative finance divi-  
28 sion, [THE LEGISLATIVE AUDITOR OF THE LEGISLATIVE AUDIT DIVISION,] the  
29 executive director of the Legislative Affairs Agency and the directors

1 of the divisions within the Legislative Affairs Agency, the governor,  
2 the lieutenant governor, a person hired or appointed as the head or  
3 deputy head of, or director of a division within, a department in the  
4 executive branch, an assistant to the governor, the state auditor,  
5 chairman or member of a state commission or board, and each appointed  
6 or elected municipal officer;

7 \* Sec. 30. AS 42.40.270 is amended to read:

8 Sec. 42.40.270. AUDITS. (a) The board shall have the financial  
9 records of the corporation audited annually by an independent outside  
10 auditor [CERTIFIED PUBLIC ACCOUNTANT EXPERIENCED IN RAILROAD ACCOUNT-  
11 ING]. The board shall have an annual performance audit conducted by  
12 an independent outside auditor [A RECOGNIZED RAILROAD MANAGEMENT  
13 EXPERT] to assure that the railroad is being managed and operated  
14 effectively and efficiently in accordance with the requirements of  
15 this chapter and that each appropriation is used to directly support  
16 those services for which the appropriation was requested. Auditors  
17 shall use the standards required under AS 42.40.100(9) and determine  
18 whether appropriations received for a service that is not self-sus-  
19 taining were calculated in accordance with United States Interstate  
20 Commerce Commission standards for determining rail service subsidies.  
21 To the extent not inconsistent with this section, audits shall conform  
22 to audit standards adopted by the state auditor under AS 37.06.090.

23 (b) The corporation shall make all of its financial records  
24 available to an auditor appointed by the governor and to the state  
25 auditor [AND TO THE LEGISLATIVE AUDIT DIVISION FOR EXAMINATION].  
26 Disclosure to the public by the auditor or state auditor [OR LEGIS-  
27 LATIVE AUDIT DIVISION] of this information is subject to AS 42.40.220  
28 and rules implementing that section.

29 \* Sec. 31. AS 44.07.200 is amended to read:

1           Sec. 44.07.200. MONEY OF THE CORPORATION. The state [LEGISLA-  
2 TIVE] auditor may examine all the accounts and books of the corpo-  
3 ration and all other records and papers relating to its financial  
4 standing. The state auditor [LEGISLATIVE BUDGET AND AUDIT COMMITTEE]  
5 shall conduct an audit of the corporation [EXAMINATION] at least once  
6 every two years or may accept an independent audit of the corporation  
7 by a firm of certified public accountants made at the request of the  
8 corporation in satisfaction of the examination requirement. The audit  
9 shall conform to audit standards adopted by the state auditor under  
10 AS 37.06.090.

11 \* Sec. 32. AS 44.07.280 is amended to read:

12           Sec. 44.07.280. STAFF. The state auditor shall provide audits  
13 [LEGISLATIVE AUDIT DIVISION] and the legislative finance division  
14 shall provide [AUDITS,] reports and analyses requested by the commit-  
15 tee. The committee may hire and determine the salary of the staff it  
16 considers necessary within the limit of the budget approved by the  
17 legislature.

18 \* Sec. 33. AS 44.19.144(a) is amended to read:

19           (a) The director shall  
20               (1) supervise and administer the activities of the office;  
21               (2) advise the governor on matters of comprehensive state  
22           planning;  
23               (3) make an annual report to the governor of the activities  
24           of the office;  
25               (4) instruct the commissioner of administration to withhold  
26 50 percent of the remaining balance of an appropriation when directed  
27 to do so by the state auditor under AS 37.06.060.

28 \* Sec. 34. AS 44.47.530 is amended to read:

29           Sec. 44.47.530. ANNUAL REPORT. To further ensure effective

1 budgetary decision making by the legislature, the division shall  
2 present a complete accounting of the housing assistance revolving fund  
3 to the legislature by January 10 of each year. The accounting shall  
4 be audited by an independent outside auditor and shall include a full  
5 description of all mortgage loan interest and principal repayments and  
6 program receipts, including mortgage loan commitment fees, received by  
7 or accrued to the division during the preceding fiscal year, and all  
8 income earned on assets of the division during that period. The audit  
9 shall conform to audit standards adopted by the state auditor under  
10 AS 37.06.090.

11 \* Sec. 35. AS 44.66.050(a) is amended to read:

12 (a) Before the termination, dissolution, continuation or re-  
13 establishment of a board or commission under AS 08.03.010 or AS 44.-  
14 66.010, or of an agency program under AS 44.66.020 and 44.66.030, a  
15 committee of reference of each house, which shall be the standing  
16 committee of legislative jurisdiction as provided in the Uniform Rules  
17 of the Legislature, shall hold one or more hearings to receive testi-  
18 mony from the public, the commissioner of the department having admin-  
19 istrative responsibility for each named board, commission, or agency  
20 program, and the members of the board or commission involved. The  
21 hearings may be joint hearings. The committee shall also consider the  
22 proposed budget of the board, commission, or agency program, prepared  
23 in accordance with AS 37.07.050(f), the management and program [AND  
24 THE PERFORMANCE] audit of the activities of the board, commission, or  
25 agency program, prepared by an independent auditor selected by the  
26 state auditor under AS 37.06.020. The audit shall conform to audit  
27 standards adopted by the state auditor under AS 37.06.090 [THE  
28 LEGISLATIVE AUDIT DIVISION AS PRESCRIBED IN AS 24.20.271(1)]. The  
29 committee may consider any other report of the activities of the

1 board, commission or program, including but not limited to annual  
2 reports, summaries prepared by the Legislative Affairs Agency, and any  
3 evaluation or general report of the manner of conduct of activities of  
4 the board, commission, or agency program prepared by the Office  
5 [OFFICE] of the Ombudsman [OMBUDSMAN].

6 \* Sec. 36. AS 44.81.260(b) is amended to read:

7 (b) The requirements of (a) of this section are subject to the  
8 following exceptions:

9 (1) The state auditor or an independent auditor selected by  
10 the state auditor [LEGISLATIVE AUDIT DIVISION] has access to the  
11 records of the bank to perform an audit authorized under AS 44.81.270.

12 (2) The board of directors or the president of the bank  
13 shall supply statistical and other impersonal information pertaining  
14 to members, applicants, and loans in response to requests from the  
15 legislature or a state agency or members of the federal farm credit  
16 system and may provide similar information upon request to a respon-  
17 sible private organization.

18 (3) Information concerning members may be given for the  
19 confidential use of a member of the federal farm credit system or  
20 other financial institution in contemplation of the extension of  
21 credit or the collection of loans.

22 (4) Impersonal information based solely on transactions or  
23 experience with a member, such as amounts of loans, terms, and payment  
24 records may be given by the bank for the confidential use of a reli-  
25 able organization in contemplation of the extension of credit.

26 (5) Credit information concerning a member may be given  
27 when the member consents to it in writing.

28 (6) In litigation between a member (or the member's succes-  
29 sor in interest) and the bank, any competent evidence may be

1 introduced with respect to relevant statements made orally or in  
2 writing by or to the member or the successor.

3 \* Sec. 37. AS 44.81.270 is amended to read:

4 Sec. 44.81.270. AUDIT OF BANK. The state auditor or an inde-  
5 pendent auditor selected by the state [LEGISLATIVE] auditor may audit  
6 the bank under AS 37.06. The audit shall conform to audit standards  
7 adopted by the state auditor under AS 37.06.090 [CAUSE THE BANK TO BE  
8 AUDITED IN THE MANNER AND UNDER THE CONDITIONS PRESCRIBED BY AS 24.-  
9 20.271 FOR AUDITS PERFORMED BY THE LEGISLATIVE AUDIT DIVISION]. The  
10 state auditor or the independent auditor [LEGISLATIVE AUDIT DIVISION]  
11 has free access to all books and papers of the bank that relate to its  
12 business and books and papers kept by a director, officer, or employee  
13 relating to or upon which a record of its business is kept, and may  
14 summon witnesses and administer oaths or affirmations in the  
15 examination of the directors, officers, or employees of the bank or  
16 any other person in relation to its affairs, transactions, and con-  
17 ditions, and may require and compel the production of records, books,  
18 papers, contracts, or other documents by court order if not voluntari-  
19 ly produced.

20 \* Sec. 38. AS 44.81.280 is amended to read:

21 Sec. 44.81.280. PROHIBITION ON DISCLOSURE. The state [LEGISLA-  
22 TIVE] auditor and the state auditor's agents or employees may not  
23 disclose information acquired by them in the course of an audit of the  
24 bank concerning the particulars of the business or affairs of a  
25 borrower of the bank or another person, unless the information is  
26 required to be disclosed by law or under a court order.

27 \* Sec. 39. AS 44.82.180 is amended to read:

28 Sec. 44.82.180. ANNUAL AUDIT. The authority shall have its  
29 financial records audited annually by an independent outside auditor.

1        The audit shall conform to audit standards adopted by the state audi-  
2        tor under AS 37.06.090 [THE LEGISLATIVE AUDITOR OR BY A CERTIFIED  
3        PUBLIC ACCOUNTANT APPROVED BY THE LEGISLATIVE AUDITOR].    The state  
4        [LEGISLATIVE] auditor may prescribe the form and content of the finan-  
5        cial records of the authority and is entitled to access to these  
6        records at any time.

7        \* Sec. 40. AS 44.83.190 is amended to read:

8                Sec. 44.83.190. ANNUAL AUDIT.    The authority shall have its  
9        financial records audited annually by an independent outside auditor  
10       [A CERTIFIED PUBLIC ACCOUNTANT].    The state [LEGISLATIVE] auditor may  
11       prescribe the form and content of the financial records of the author-  
12       ity and shall have access to these records at any time.    The audit  
13       shall conform to audit standards adopted by the state auditor under  
14       AS 37.06.090.

15       \* Sec. 41. AS 44.85.100(a) is amended to read:

16                (a) Before October 1 of each year the bond bank authority shall  
17       make a report of its activities for the preceding fiscal year to the  
18       governor and to the legislature.    The report shall set out a complete  
19       operating and financial statement covering its operations during the  
20       year.    The bond bank authority shall have an audit of its books and  
21       accounts made at least once in each year by an independent outside  
22       auditor [CERTIFIED PUBLIC ACCOUNTANTS] and the cost of the audit shall  
23       be considered an expense of the bond bank authority and a copy of the  
24       audit shall be filed with the commissioner of revenue and the legisla-  
25       ture.    The audit shall conform to audit standards adopted by the state  
26       auditor under AS 37.06.090.

27       \* Sec. 42. AS 44.88.200 is amended to read:

28                Sec. 44.88.200. ANNUAL AUDIT.    The authority shall have its  
29       financial records audited annually by an independent outside auditor.

1        The audit shall conform to audit standards adopted by the state [THE  
2        LEGISLATIVE] auditor under AS 37.06.090 [OR BY A CERTIFIED PUBLIC  
3        ACCOUNTANT APPROVED BY THE LEGISLATIVE AUDITOR]. The state [LEGISLA-  
4        TIVE] auditor may prescribe the form and content of the financial  
5        records of the authority and shall have access to these records at any  
6        time.

7        \* Sec. 43. AS 47.40.031 is amended to read:

8                Sec. 47.40.031. REQUIRED ACCOUNTING PROCEDURES. Facilities that  
9        solicit or receive grants from the department for the cost of services  
10       provided under AS 47.40.011 - 47.40.091 shall

11                (1) meet accepted standards of fiscal accountability for  
12       public money and shall, upon request, submit to the department and to  
13       the state auditor [DIVISION OF LEGISLATIVE AUDIT] a complete financial  
14       statement prepared by an independent certified public accountant;

15                (2) keep records of the expenditures for the services  
16       provided, using cost-accounting procedures in accordance with depart-  
17       ment regulations;

18                (3) upon request, furnish the department and the state  
19       auditor [DIVISION OF LEGISLATIVE AUDIT] all fiscal information, books,  
20       records, and accounts pertaining to services paid for under AS 47.-  
21       40.011 - 47.40.091.

22        \* Sec. 44. TRANSITION. All litigation, hearings, investigations and  
23       other proceedings pending under a law amended or repealed by this Act, or  
24       in connection with functions transferred by this Act, continue in effect  
25       and may be continued and completed notwithstanding a transfer or amendment  
26       or repeal provided for in this Act. Certificates, orders, and regulations  
27       issued or adopted under authority of a law amended or repealed by this Act  
28       remain in effect for the term issued, until revoked, vacated, or otherwise  
29       modified under the provisions of this Act. All contracts, rights,

1 liabilities, and obligations created by or under a law amended or repealed  
2 by this Act, and in effect on the effective date of this Act, remain in  
3 effect notwithstanding this Act's taking effect. Records, equipment, and  
4 other property of agencies of the state whose functions are transferred  
5 under this Act shall be transferred commensurate with the provisions of  
6 this Act.

7 \* Sec. 45. NAME CHANGE. To be consistent with the changes made by this  
8 Act, wherever in the Alaska Statutes and in regulations adopted under those  
9 statutes, "Legislative Audit Division" and other terms identifying the  
10 division are used, they shall be read as referring to the Office of the  
11 State Auditor. Under AS 01.05.031, the revisor of statutes shall implement  
12 this section in the statutes, and under AS 44.62.125(b)(6), the regulations  
13 attorney shall implement this section in the administrative regulations.

14 \* Sec. 46. AS 24.20.241, 24.20.251, 24.20.261, 24.20.271, and 24.20.-  
15 301(a) are repealed.

16 \* Sec. 47. This Act takes effect on the first day of the first term of  
17 the first state auditor.