

**SB**

**128**

# ALASKA STATE LEGISLATURE

## LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



P. O. Box 113300  
Juneau, AK 99811-3300  
(907) 465-3830  
FAX (907) 465-2347

### MEMORANDUM

TO: The Honorable Randy Phillips  
Chairman, Legislative Budget  
and Audit Committee

FROM: Randy S. Welker *Randy*  
Legislative Auditor

DATE: February 13, 1993

RE: Audit Recommendation Follow-up Process

The attached table outlines a procedure that could be used to provide an ongoing follow-up process to the special/performance audit recommendations made by the Division of Legislative Audit.

The process we recommend involves using the Office of the Governor's Office of Management and Budget (OMB). Within OMB is the Division of Audit and Management Services. This division is staff with auditors who would have the necessary qualifications to adequately address the issues. I have not discussed these procedures with OMB, so I do not have an indication of their willingness to earnestly participate.

While the procedures I have outlined are lengthy, I believe that the majority of them could be adopted as LBA procedures and I would recommend that only the critical steps be placed in statute. The following outlines those items I think should be statutory requirements:

AS 24.20.311 should be amended to read:

**Sec. 24.20.311. Reports.** The committee shall file copies of its approved audit reports including any committee recommendations with the governor, the agency concerned and the legislature. Committee recommendations may include items requiring follow-up by the Office of Management and Budget under AS 24.20.312. An annual report summarizing....

(continued)

AS 24.20 is amended by adding a new sections to read:

**Sec. 24.20.312. Audit Recommendation Follow-up.** (a) The Office of Management and Budget is responsible for the review, resolution of differences, and follow-up on recommendations made by the legislative auditor and filed with the governor under AS 24.20.311.

(b) For follow-up items with which the audited agency concurs, the office shall monitor the agencies progress towards full implementation. For items with which the agency partially or fully disagrees, the office shall review the position of the legislative auditor and the agency. The office shall then either seek the governor's directive to implement the recommended action or report to the committee and the legislative auditor within sixty days with an alternative resolution or final position of opposition.

(c) By January 31, the office shall submit a report to the committee and the legislative auditor on the follow-up items filed with the governor during the previous calendar year. The report shall address the degree of implementation or continued opposition to the follow-up items.

(d) The legislative auditor shall review the report submitted by the office and make recommendations to the committee on the disposition of each follow-up item. The auditor may recommend closure of an item fully implemented, closure through waiver of implementation for a stated cause, or continued monitoring by the office for an additional year. The committee shall make the final determination on closure or continued monitoring by the office.

I have not developed a detailed "follow-up" format, but it would not be difficult to do. The process outlined in the attached pretty well identifies the type of information we would want to get from the audited agencies.

The committee procedures could also provide for our follow-up reporting to the committee by January 31 of the recommendations made in our single audits (financial). The committee could also refer any of those recommendations to OMB for follow-up resolution as well.

<b>AUDIT RECOMMENDATION FOLLOW-UP</b>			
<b>AGENCY</b>		<b>ACTION</b>	<b>DISCUSSION</b>
1.	Leg. Audit	Preliminary Audit submitted to LBA will include an "Audit Follow-up Summary".	"Audit Follow-up Summary" will contain those items the Leg. Auditor believes should be tracked.
2.	LBA Committee	Review report and summary; approve for release to agency for response.	In normal LBA process, would require response to audit and completion of information requested on the "Audit Follow-up Summary".
3.	Audited Agency	Agency would prepare response to the audit report and complete the "Audit Follow-up Summary" within 20 days.	In addition to normal agency response, the "Summary" would require info such as agreement, partial agreement or disagreement; detail timeline, position responsible for implementation, limitations on implementation.
4.	Leg. Audit	Formal Response and "Summary" included in report for final presentation to LBA.	Like current process, audit response and "Follow-up Summary" would be included in final audit presented to LBA.
5.	LBA Comm.	Approve release of audit to public and "Follow-up Summary" to Gov./OMB.	Release procedures would include the transmittal of the "Summary" to OMB.
6.	OMB	OMB responsible for review, resolution of differences and follow-up.	For follow-up items the agency agrees with, OMB would monitor the progress of implementation; for items of partial or full disagreement, OMB review positions of auditor and agency, then seek gov. directive to implement or report back to LBA and Leg. Auditor w/in 60 days w/ alternative solution or final position of opposition.
7.	Leg. Auditor	Make interim reports to LBA on acceptability of alternatives proposed by OMB and final rebuttal on position of opposition.	As necessary, the Leg. Auditor will keep the Committee apprised of the ongoing monitoring and review by OMB. Particular focus will be on areas of opposition.
8.	LBA Comm.	Consider interim actions.	The Committee at any time could exercise options such as formal communication to the Governor, requesting Commissioner or agency personnel to appear before LBA.

AUDIT RECOMMENDATION FOLLOW-UP		
AGENCY	ACTION	DISCUSSION
9. OMB	Submit Annual Report on Follow-up to LBA and Leg. Auditor.	By Jan. 31 OMB would be required to issue a report to the LBA and the Leg. Auditor detailing the extent of departmental implementation of "Follow-up Summary" items. Report would be required for all items issued in previous year detailing degree of implementation, lack of implementation, or continued opposition to recommendations.
10. Leg. Auditor	Review report, make any necessary verification inquiries, and report to the LBA with recommended action.	The review would include acceptance of status reported and recommendation to LBA on an item by item basis for (1) closure-fully implemented, (2) continued monitoring for additional year and report following Jan. 31, (3) closure- waiver of implementation for stated cause.
11. LBA	Review OMB Annual Report and Leg. Auditor suggested recommendations on action.	LBA would have final determination on closure recommendations and those items referred back to OMB for continued follow-up during next year. For items not closed, consider any or all options available: (1) Commissioner and/or agency personnel called before the LBA for discussion, (2) Referral of item to Finance Committee's for continued discussion during budget deliberations, (3) Formal communication with Gov., (4) Recommend OMB impound funds until adequate progress is made towards implementation, (5) Recommend the Finance Committees or Conference Committee assess a misc. reduction or conditioned appropriation budget item until implementation.

Sen. Randy Phillips  
Chairman  
Rep. Terry Martin  
Vice Chairman  
Sen. Al Adams  
Sen. Steve Frank  
Sen. Steve Rieger  
Sen. Bert Sharp  
Rep. John Davies  
Rep. Mark Hanley  
Rep. Ron Larson  
Rep. Eileen MacLean

# State of Alaska



Session  
Rm. 103  
State Capitol  
Juneau, AK 99801  
(907) 465-4949

Interim  
P.O. Box 142  
Eagle River AK 99577  
(907) 694-4949

## Legislative Budget and Audit Committee

### Memorandum

TO: Senator Loren Leman, Chairman  
Senate State Affairs Committee

FROM: Senator Randy Phillips  
Legislative Budget and Audit Committee

DATE: March 9, 1993

RE: Sponsor Statement in support of:  
Senate Bill 128, "An Act relating to legislative audits."

Senate Bill 128 was introduced to provide a systematic follow up procedure for recommendations made by the Legislative Auditor.

Currently Alaska's statute provides no formal follow up procedure for the recommendations of the Legislative Auditor. While the Auditor does review the status of prior year recommendations, the Auditor has no enforcement powers.

Senate Bill 128 would require that the Office of Management and Budget (OMB) work with agencies on the implementation of audit recommendations and to report to the Legislature on the status of these recommendations.

# ALASKA STATE LEGISLATURE

## LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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Juneau, AK 99811-3300  
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### MEMORANDUM

**TO:** The Honorable Randy Phillips  
Chairman, Legislative Budget  
and Audit Committee

**FROM:** Randy S. Welker  
Legislative Auditor

**DATE:** March 9, 1993

**RE:** SB 128 - An Act relating to legislative audits

Senate Bill 128 was introduced to enhance the implementation rate of recommendations contained in audit reports issued by the Division of Legislative Audit. The Audit Division does not have enforcement powers. Therefore, we must rely on our ability to convince the audited agency that our recommendations have merit and would improve financial accountability and/or improve the efficiency, effectiveness and economy of state operations.

Often, agencies agree with our recommendations in their response to the audit report. Other times, the agency disagrees in part or entirely with our recommendations. Regardless of the agreement or disagreement, we believe that a formal system of follow-up on audit recommendations is necessary.

We presently review the implementation of recommendations made in our annual financial/compliance Single Audit of the State of Alaska. Each year's audit addresses the status of recommendations made in the prior year audit. We presently do not have a systematic method to follow up on items contained in our performance or special audits.

The responsibility for implementing audit recommendations rests with the administration. It is our responsibility to ensure that the agencies have an effective system for resolving audit differences and pursuing implementation. Senate Bill 128 provides the framework for that system of follow-up within the Office of Management and Budget (OMB).

The Division of Audit and Management Services within OMB is staffed with auditors who have the necessary qualifications to adequately address the issues raised in our reports. The attached table should give you some idea of the number of recommendations we issue in a year. This table was prepared from the highlighted recommendations in the audit digests contained in the 1992 Annual Report of the Legislative Budget and Audit Committee. As you can see, recommendations were made to virtually every department and to many other state entities. According to language in the bill, the Legislative Budget and Audit Committee would not necessarily refer all recommendations to OMB.

OMB would have the responsibility to monitor the implementation of those items with which the audited agency agrees and to seek resolution of items with which the audited agency disagrees in whole or in part.

Please contact me if I can provide any additional information.

Attachment

**SUMMARY OF AUDIT RECOMMENDATIONS BY DEPARTMENT - 1992 AUDITS**

AUDIT ↓	DEPARTMENT	GOV	DOA	LAW	DOR	DOE	HSS	LAB	CED	MVA	DNR	DFG	DPS	DEC	DOC	CRA	DOT	UNIV	OTHER
SWSA '91		1	9	1	2	8	11	1	1	1		3	1	2		1	20		
AKPAY Controls			9																
State Publications			3																
OPA			9																
Statewide Procurement		3	4	3	4	2	5	1						1	3	3	5	1	7
Employee Incentive Award Program			4																1
PFDD					6														
DOR-Income & Excise Tax Audit Division					5														
Special Education Agency						3													
PERA Impact on School Districts						1													1
DFYS							5												
Selected Abortion Issues							3												
Medicaid Rate Advisory Commission Rate Setting Issues							4												
5 Licensing Board Audits									5										
Big Game Commercial Services Board- Consistency of Penalties													2						
AEA/DEC - Circuit Rider Maintenance Program & Remote Maintenance Worker Program									2										
Alaska Tourism Marketing Council									6										
Submerged Lands Recalculation Project											1								
Wood-Tikchik State Park											1								
OHSR Corps and Emergency Response Depots										3				5					
Intensive Supervision Surveillance Program															4				
<b>TOTALS BY DEPARTMENT (187)</b>		<b>4</b>	<b>38</b>	<b>4</b>	<b>17</b>	<b>14</b>	<b>28</b>	<b>2</b>	<b>14</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>8</b>	<b>7</b>	<b>4</b>	<b>25</b>	<b>1</b>	<b>9</b>

Other Column is made up of: Permanent Fund Corporation (1), Alaska Science and Technology Foundation (1), Alaska Railroad Corporation (1), Alaska Court System (3), Alaska Energy Authority (1), and recommendations for Legislation to the Alaska Legislature (2)

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# State of Alaska



## Legislative Budget and Audit Committee

Session  
Rm. 103  
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### Sectional Analysis

SB 128

#### Section 1:

Provides that the Legislative Budget and Audit Committee may identify audit recommendations that will be monitored by the Office of Management and Budget.

#### Section 2.

(a) Provides that the Office of Management and Budget shall be responsible for monitoring the implementation of those audit recommendations identified by the Legislative Budget and Audit Committee.

(b) Provides that the Office of Management and Budget report to the Legislative Auditor and to each member of the Legislative Budget and Audit Committee on the status of audit recommendations.

#### Section 3.

Adds the monitoring of audit recommendations to the duties of the Office of Management and budget

# FISCAL NOTE

STATE OF ALASKA  
1993 LEGISLATIVE SESSION

BILL NO. CSSB 128 (STA)

Revision Date: March 17, 1993 Dept. Affected: Governor's Office (OMB)  
 Title: "An Act Relating to Legislative Audits" BRU: \_\_\_\_\_  
 Component: \_\_\_\_\_  
 Sponsor: Senate Rules by Request of LB&A  
 Requestor: Senate State Affairs Committee COMPONENT SERIAL NO. \_\_\_\_\_

**Expenditures/Revenues:**

(Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

<b>CAPITAL</b>						
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<b>REVENUE FUND SOURCE:</b>						
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**FUNDING:**

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) impact \$ -0-

**ANALYSIS:** (Attach a separate page if necessary)

Prepared by: Portia Babcock, Senate State Affairs Committee Staff Phone: 465-4522  
 Division: Senate State Affairs Committee Date: March 17, 1993  
 Approved by Commissioner: Senator Loren Leman, Chairman Date: March 17, 1993  
 Agency: Senate State Affairs Committee

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*passed 20-0  
4/24/93*

**CS FOR SENATE BILL NO. 128(STA)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
EIGHTEENTH LEGISLATURE - FIRST SESSION**

**BY THE SENATE STATE AFFAIRS COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE LEGISLATIVE BUDGET AND  
AUDIT COMMITTEE**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to legislative audits."**

2 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3 **\* Section 1. AS 24.20.311 is amended to read:**

4           Sec. 24.20.311. REPORTS. The Legislative Budget and Audit Committee  
5 [COMMITTEE] shall file copies of its approved audit reports including any committee  
6 recommendations with the governor, the agency concerned, and the legislature. A  
7 committee recommendation involving an agency in the executive branch may  
8 identify an item for monitoring under AS 24.20.312. An annual report summarizing  
9 the audit reports and committee recommendations made during the year shall be filed  
10 with the governor and with the legislature within the first five days of each regular  
11 session of the legislature. Reports shall be approved by a majority of the committee  
12 before their release and shall be open to public inspection after their release to the  
13 legislature.

14 **\* Sec. 2. AS 24.20 is amended by adding a new section to read:**

1           Sec. 24.20.312. MONITORING OF AUDIT RECOMMENDATIONS. (a)

2           The office of management and budget shall review each item identified for monitoring  
3           in a recommendation involving an agency in the executive branch contained in an audit  
4           report filed with the governor under AS 24.20.311. The office shall monitor the  
5           implementation of a recommended item if the audited agency agrees with it. If the  
6           agency disagrees in whole or in part with a recommended item, the office shall, within  
7           60 days after the audit report containing the item is filed with the governor (1) request  
8           the governor to direct the agency to implement the item, or (2) submit a report to the  
9           legislative auditor proposing an alternative resolution or indicating a final position of  
10          opposition to the item. A copy of the report shall be supplied by the office to each  
11          member of the Legislative Budget and Audit Committee.

12           (b) By January 31, the office of management and budget shall submit a report  
13          to the legislative auditor and a copy of the report to each member of the committee.  
14          The report must explain the results during the previous calendar year of the monitoring  
15          of each item under (a) of this section. The legislative auditor shall review the report  
16          and, as to each item, recommend to the committee that the matter be closed, that  
17          implementation be wholly or partially waived by the committee, or that the committee  
18          direct the office to continue to monitor implementation.

19          \* Sec. 3. AS 44.19.145(a) is amended by adding a new paragraph to read:

20                   (12) monitor audit recommendations under AS 24.20.312.

## SENATE BILL NO. 128

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE LEGISLATIVE BUDGET AND  
AUDIT COMMITTEEIntroduced: 2/22/93  
Referred: STA, FIN

## A BILL

FOR AN ACT ENTITLED

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3 \* Section 1. AS 24.20.311 is amended to read:

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12 to public inspection after their release to the legislature.

13 \* Sec. 2. AS 24.20 is amended by adding a new section to read:

14       Sec. 24.20.312. MONITORING OF AUDIT RECOMMENDATIONS. (a)

*Executive  
Branch  
agency*

1 The office of management and budget shall review each item identified for monitoring  
2 in a recommendation contained in an audit report filed with the governor under  
3 AS 24.20.311. The office shall monitor the implementation of a recommended item  
4 if the audited agency agrees with it. If the agency disagrees in whole or in part with  
5 a recommended item, the office shall, within 60 days after the audit report containing  
6 the item is filed with the governor (1) request the governor to direct the agency to  
7 implement the item, or (2) submit a report to the legislative auditor proposing an  
8 alternative resolution or indicating a final position of opposition to the item. A copy  
9 of the report shall be supplied by the office to each member of the Legislative Budget  
10 and Audit Committee.

11 (b) By January 31, the office of management and budget shall submit a report  
12 to the legislative auditor and a copy of the report to each member of the committee.  
13 The report must explain the results during the previous calendar year of the monitoring  
14 of each item under (a) of this section. The legislative auditor shall review the report  
15 and, as to each item, recommend to the committee that the matter be closed, that  
16 implementation be wholly or partially waived by the committee, or that the committee  
17 direct the office to continue to monitor implementation.

18 \* Sec. 3. AS 44.19.145(a) is amended by adding a new paragraph to read:

19 (12) monitor audit recommendations under AS 24.20.312.

*Amendment to  
clarify "agency"*