

**SB**

**259**

# Senator Linda Menard

## Session

State Capitol, Room 9  
Juneau, Alaska 99801  
Phone: (907) 465-6600  
Fax: (907) 465-3805



## Interim

600 E. Railroad Ave.  
Wasilla, Alaska 99654  
Phone: (907) 376-3370  
Fax: (907) 376-3157

## Alaska State Legislature

**received**  
02/16/10 1:00 PM

To: Sen. Linda Menard  
Chair, Senate State Affairs Committee

From: Sen. Linda Menard

Date: February 16, 2010

Re: Hearing Request for Senate Bill 259

Honorable Senator Linda Menard,

I respectfully request a hearing of Senate Bill No. 259 before the Senate State Affairs Committee.

Senate Bill 259 is an act relating to the powers and duties of the legislative audit division.

Thank you for your consideration.

# Alaska State Legislature

**Senator Linda Menard, Chair**  
State Capitol, Room 9  
Juneau, Alaska 99801  
Phone: (907) 465-6600  
Fax: (907) 465-3805



**Committee Members:**  
Senator Albert Kookesh  
Senator Hollis French  
Senator Joe Paskvan  
Senator Kevin Meyer

## Senate State Affairs Committee

### SPONSOR STATEMENT: Senate Bill 259

Senate Bill 259 clarifies the scope and authority of the Legislative Audit Division. The director of Legislative Audit contends that the division's audit authority is limited to state organizations. Some legislators, however, contend that the Legislative Audit Division should have the authority to audit any organization or function that receives or utilizes state or public funds administered by state departments.

The Legislature has, in the past, requested the division conduct audits as a result of allegations that non-profit organizations were disbursing grant funds inappropriately, such as "steering grants" to family members, for example. This bill, of course, is not directed at any one specific organization, rather it stems from repeated allegations that some grantees fail to follow state policy after receiving grants.

By passing Senate Bill 259, the Legislature will have the power to direct the Legislative Audit Division to audit a state agency or a grantees use of state funds. The bill will also affirm the Legislative Audi Division has the authority in statute to perform such audits.

Passing this bill only makes sense, since doling out state money to grantees should be met with assurances that the money is being used for the purpose proposed. Not only is this good practice, but encourages future grantees to follow rules set by the state when trusted with public funds.

Please join me in helping with the swift passage of Senate Bill 259.

26-LS1419R  
Bannister  
3/15/10

**CS FOR SENATE BILL NO. 259( )**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-SIXTH LEGISLATURE - SECOND SESSION**

**BY**

**Offered:**  
**Referred:**

**Sponsor(s): SENATE STATE AFFAIRS COMMITTEE**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to the powers and duties of the legislative audit division."**

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

3 **\* Section 1.** AS 24.20.271 is amended to read:

4 **Sec. 24.20.271. Powers and duties.** The legislative audit division [SHALL]

5 (1) shall conduct a performance post-audit of boards and commissions  
6 designated in AS 44.66.010 and of those programs and activities of agencies subject to  
7 termination as determined in the manner set out in AS 44.66.020 and 44.66.030, and  
8 make the audit, together with a written report, available to the legislature not later than  
9 the first day of the regular session of the legislature convening in each year set out  
10 with reference to boards, -commissions, or agency -programs whose activities are  
11 subject to termination as prescribed in AS 44.66; the division shall notify the  
12 legislature that the audit and report are available;

13 (2) shall audit at least once every three years the books and accounts  
14 of all custodians of public funds and all disbursing officers of the state;

15 (3) shall, at the direction of the Legislative Budget and Audit

1 Committee, conduct performance post-audits on any agency of state government;

2 (4) **may** cooperate with state agencies by offering advice and  
3 assistance as requested in establishing or improving the accounting systems used by  
4 state agencies;

5 (5) **shall** require the assistance and cooperation of all state officials and  
6 other state employees in the inspection, examination, and audit of state agency books  
7 and accounts;

8 (6) **shall** have access at all times to the books, accounts, reports, or  
9 other records, whether confidential or not, of every state agency;

10 (7) **shall** ascertain, as necessary for audit verification, the amount of  
11 agency funds on deposit in any bank as shown on the books of the bank; no bank may  
12 be held liable for making information required under this paragraph available to the  
13 legislative audit division;

14 (8) **shall** complete studies and prepare reports, memoranda, or other  
15 materials as directed by the Legislative Budget and Audit Committee;

16 (9) **shall** have direct access to any information related to the  
17 management of the University of Alaska and have the same right of access as exists  
18 with respect to every other state agency;

19 (10) **shall** conduct an audit every two years of information found in the  
20 annual reports required under AS 42.05.211 and AS 42.06.220 regarding compliance  
21 by the Regulatory Commission of Alaska with the requirements of AS 42.05.175(a) -  
22 (e) and of the timeline extensions made by the commission under AS 42.05.175(f),  
23 and of other performance measures adopted by the commission;

24 **(11) may perform an audit of the money received by an**  
25 **organization from or through the state when the performance of the audit is**  
26 **approved by the Legislative Budget and Audit Committee.**

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101


State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

March 16, 2010

**SUBJECT:** Sectional summary of CSSB 259( ) relating to the powers and duties of the legislative audit division (Work Order No. 26-LS1419\R)

**TO:** Senator Linda Menard  
Attn: Michael Rovito

**FROM:**  Theresa Bannister  
Legislative Counsel

You have requested a sectional summary of the above-described bill. As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

**Section 1.** Amends AS 24.20.271. Changes one of the division's powers to allow, rather than require, the division to cooperate with state agencies about establishing or improving their accounting systems. Gives the legislative audit division an additional power. The added power allows the division to perform an audit of the money received by an organization from or through the state -- if the Legislative Budget and Audit Committee approves performing the audit.

If I may be of further assistance, please advise.

TLB:med  
10-042.med

# FISCAL NOTE

**STATE OF ALASKA**  
**2010 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: SB259  
 () Publish Date: \_\_\_\_\_

Identifier (file name): SB259-LBA-DLA-03-17-10 Dept. Affected: Legislature  
 Title An Act relating to the powers and duties of the RDU Budget and Audit Committee  
Legislative Audit Division Component Legislative Audit  
 Sponsor Senate State Affairs Committee  
 Requester Senate State Affairs Committee Component Number 773

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
<b>TOTAL OPERATING</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>								
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<b>CHANGE IN REVENUES ( )</b>								
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
<b>TOTAL</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2009) cost: \_\_\_\_\_

**POSITIONS**

Full-time								
Part-time								
Temporary								

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

This legislation has zero fiscal impact on the Division of Legislative Audit.

Prepared by: Pat Davidson, Legislative Auditor  
 Division Division of Legislative Audit  
 Approved by: Pat Davidson, Legislative Auditor  
 Division Division of Legislative Audit

Phone 465-3816  
 Date/Time 3/17/10 4:13 PM  
 Date 3/17/2010

# LEGAL SERVICES

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Juneau, Alaska 99801-1182  
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## MEMORANDUM

January 22, 2010

**SUBJECT:** Authority of the Legislative Audit Division to audit non-governmental entities (CSSB 78(STA), Work Order No. 26-LS0194P)

**TO:** Senator Fred Dyson

**FROM:** Jack Chenoweth  
Assistant Revisor

### **Question Presented**

Chuck Kopp of your office staff asked legislative research what authority the Legislative Audit Division has, at the direction of the Budget and Audit Committee, to conduct audits of non-governmental agencies, such as non-profit organizations, that receive state funds. Legislative research asked us to respond. I understand that you specifically would like to know whether Senate Bill 78 needs to pass in order to allow Legislative Audit to perform these types of audits.

### **Answer**

It is more probable than not that an amendment based on or similar to the content of Senate Bill 78 is required before the auditor could investigate nongovernmental agencies. I reach this conclusion principally on the basis of a 1982 Opinion of the Attorney General, 1982 Op. (Inf.) May 20, 1982, the reasoning of which reads, in relevant part:

The Office of Legislative Auditor is established by article IX, section 14, of the Alaska Constitution. Under section 14, the auditor has the power to conduct post-audits as prescribed by law. The Alaska Constitution has been implemented by the legislature by the enactment of AS 24.20.201. Under that section, the legislative budget and audit committee is established by law to supervise the work of the legislative auditor. The powers of that interim committee are specifically enumerated in AS 24.20.201(a)(1) - (12). The purpose of your proposed investigation apparently is to review the contracting practices of the Department of Natural Resources in regard to the sale of state royalty oil. Under AS 24.20.201(a)(6), the legislative budget and audit committee may make recommendations concerning appropriations, their expenditure and the fiscal policies and procedures of state government to the governor when appropriate and to the legislature. Unless it can be determined that the

investigation concerns the "fiscal policies and procedures of state government," then it is our opinion that the legislative budget and audit committee has no power to conduct an investigation of this nature. . . .

The legislative auditor has historically been used to carry out the post-audit function. However, under AS 24.20.271 the legislative audit division, under the direction of the legislative auditor, has the power to carry out the audit function assigned to the legislative auditor. Under AS 24.20.271(8), the audit division "shall complete studies and prepare reports, memoranda or other materials as directed by the legislative budget and audit committee." Under AS 24.20.271(6), the legislative audit division has access at all times to the books, accounts, reports or other records, whether confidential or not, of every state agency. In addition, the legislative audit division has the authority necessary to audit banks to verify a deposit of state money with a bank. [Currently authorized by AS 24.20.271(7).] No other provision of section 271 authorizes the division to obtain the books and papers of an entity which is not a state agency.

. . . .

The opinion concludes that, while the power is clearly one that the legislature may grant, it did not then (and arguably still does not now) exist, and would need to be explicitly authorized before it could be exercised. I assume also that legal counsel for a private entity that would choose to resist an audit could find and would cite the reasoning of the 1982 opinion to avoid examination by state auditors.

While a credible argument could be offered that sufficient authority already exists in the current statutes, notably under existing AS 24.20.281,<sup>1</sup> to conduct these post-audits, given that the constitutional provision directs that audits may be conducted "as provided by

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<sup>1</sup> AS 24.20.281 provides:

**Special audit.** A member of the legislature may, in writing and with at least six days notice, request that the budget and audit committee direct a special audit of any state agency or determine the propriety of any expenditure of state funds received by any political subdivision or other entity obtaining state funds. Should a majority of the committee vote to approve the request, the legislative audit division shall make the audit.

This section did exist at the time of the 1982 opinion but is not cited or relied upon in it.

Senator Fred Dyson  
January 22, 2010  
Page 3

law," this office, too, has in the past recommended that the legislature amend AS 24.20.271,<sup>2</sup> to provide a statement of authority to exercise that authority, at least comparable to the authority prescribed to audit banks.

JBC:plm  
10-027.plm

Enclosures

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<sup>2</sup> See memo from Theresa Bannister dated December 18, 2007, relating to Work Order 25-LS1259A, SB 213 from the 25th Legislature, which became the basis of SB 78 and CSSB 78(STA) in the current legislature. Copies of these materials are enclosed, along with a December 2, 2008, memo outlining some of the potential constitutional and legal issues that could arise.

# LEGAL SERVICES

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State Capitol  
Juneau, Alaska 99801-1182  
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## MEMORANDUM

December 18, 2007

**SUBJECT:** Authority of the Legislative Audit Division to audit persons, other than state agencies, who receive money from the state (Work Order No. 25-LS1259\A)

**TO:** Senator Fred Dyson

**FROM:** Theresa Bannister  
Legislative Counsel

This memo accompanies a bill addressing the subject described above.

1. AS 24.20.271, the section that describes the powers and duties of the legislative audit division (LAD), is generally limited to state entities, including boards and commissions, and custodians of public funds and disbursing officers of the state.<sup>1</sup> However, AS 24.20.271(8) authorizes LAD to "complete studies and prepare reports, memoranda, or other materials as directed by the Legislative Budget and Audit Committee" (LB&A).

Under AS 24.20.281, a member of the legislature may "request that LB&A direct a special audit of any state agency or determine the propriety of any expenditure of state funds received by any political subdivision or other entity obtaining state funds." It is possible that "other entity" could be interpreted to cover private entities. Whether determining the propriety of the expenditure of state funds received by the entity would be interpreted to cover audits is not clear. Although "determining the propriety" appears to be an alternative to "special audit" in the sentence, the conclusion of the section appears to identify the legislator's request for either purpose with an "audit."

AS 24.20.201(a)(4) authorizes LB&A to review the expenditure of state funds. AS 24.20.201(a)(7) authorizes LB&A to prepare reports. It is possible that one of these could be broadly interpreted to cover private audits, but it is not a solid basis for the authority.

I recommend that, if you want LAD to be able to perform audits of private organizations receiving money from the state, you amend AS 24.20.271 (or AS 24.20.281) to clearly

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<sup>1</sup> I would interpret "custodians" to include private persons who receive money from the state, because the term suggests a holder of money rather than a user (recipient) of money.

Senator Fred Dyson  
December 18, 2007  
Page 2

state that. Therefore, I have prepared a bill to authorize LAD to perform these additional audits.

2. Coverage of private audits. Your request mentioned "organizations." Do individuals ever receive money that you might want to have audited?

If I may be of further assistance, please advise.

TLB:ljw  
07-421.ljw

Enclosure

Conceptual Amend #1

Pg 2, ln 24  
may → shall

**SENATE COMMITTEE REPORT**  
**First Committee of Referral**

DATE: 2/5/10

FURTHER: Finance

Date of 5-Day Notice: 2/18/10  
 (in accordance with Uniform Rule 23)

DATE TURNED  
 IN TO OFFICE: 3/18/10

State Affairs Committee considered SENATE BILL NO. 259

**SB 259 LEGISLATIVE AUDIT DIVISION POWERS**

"An Act relating to the powers and duties of the legislative audit division."

and recommends:

- be replaced with  SCS or  CS SB 259 (STA)
- adopt previous  SCS or  CS CS. Forthcoming
- attached amendment(s)
- adopt \_\_\_\_\_ Letter of Intent
- further referral to \_\_\_\_\_ Committee

<b>SENATE BILL:</b>	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
<hr/>	
<b>HOUSE BILL:</b>	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#
LEG	3/17			✓	

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
<i>K. Meyer</i>	Meyer ✓			X	
<i>Joe Paskvan</i>	Paskvan			X	
CHAIR: <i>Linda Menard</i>	MENARD	✓			



## SENATOR FRED DYSON

### *Sponsor Statement for SB 78*

#### **“An Act relating to the powers and duties of the legislative audit division”**

March 2, 2009

Contact: Lucky Shultz at Senator Fred Dyson’s office (907) 465-2199

This bill clarifies the scope and authority of the Legislative Audit Division. The director of Legislative Audit contends that the division’s audit authority is limited to state organizations. Some legislators contend, however, that the Legislative Audit Division also has (and should have) limited authority to audit any organization or function that receives or utilizes state funds or public funds that are administered by state departments.

The Legislature has, in the past, requested the division to conduct audits as a result of allegations that non-profit organizations were disbursing grant funds inappropriately, such as “steering grants” to family members, for example. At other times, the Legislature requested audits because of allegations that grantees failed to follow state policy. Because state law is not clear in this area, the director of the Legislative Audit Division has expressed concerns regarding the authority to conduct such audits, particularly of non-state organizations.

Passage of SB 78 will make it clear that the Legislature has the power to direct the Legislative Audit Division to audit a state agency or a grantee’s use of state funds, and that the division has the authority, when requested by the Legislature, to conduct such audits.

26-LS0194\S  
Bannister  
3/18/09

**CS FOR SENATE BILL NO. 78( )**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-SIXTH LEGISLATURE - FIRST SESSION**

**BY**

**Offered:**

**Referred:**

**Sponsor(s): SENATOR DYSON**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to the powers and duties of the legislative audit division."**

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

3 **\* Section 1.** AS 24.20.271 is amended to read:

4 **Sec. 24.20.271. Powers [AND DUTIES].** The legislative audit division  
5 [SHALL]

6 (1) **shall** conduct a performance post-audit of boards and commissions  
7 designated in AS 44.66.010 and of those programs and activities of agencies subject to  
8 termination as determined in the manner set out in AS 44.66.020 and 44.66.030, and  
9 make the audit, together with a written report, available to the legislature not later than  
10 the first day of the regular session of the legislature convening in each year set out  
11 with reference to boards, commissions, or agency programs whose activities are  
12 subject to termination as prescribed in AS 44.66; the division shall notify the  
13 legislature that the audit and report are available;

14 (2) **shall** audit at least once every three years the books and accounts  
15 of all custodians of public funds and all disbursing officers of the state;

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(3) shall, at the direction of the Legislative Budget and Audit Committee, conduct performance post-audits on any agency of state government;

(4) shall cooperate with state agencies by offering advice and assistance as requested in establishing or improving the accounting systems used by state agencies;

(5) shall require the assistance and cooperation of all state officials and other state employees in the inspection, examination, and audit of state agency books and accounts;

(6) shall have access at all times to the books, accounts, reports, or other records, whether confidential or not, of every state agency;

(7) shall ascertain, as necessary for audit verification, the amount of agency funds on deposit in any bank as shown on the books of the bank; no bank may be held liable for making information required under this paragraph available to the legislative audit division;

(8) shall complete studies and prepare reports, memoranda, or other materials as directed by the Legislative Budget and Audit Committee;

(9) shall have direct access to any information related to the management of the University of Alaska and have the same right of access as exists with respect to every other state agency;

(10) shall conduct an audit every two years of information found in the annual reports required under AS 42.05.211 and AS 42.06.220 regarding compliance by the Regulatory Commission of Alaska with the requirements of AS 42.05.175(a) - (e) and of the timeline extensions made by the commission under AS 42.05.175(f), and of other performance measures adopted by the commission;

\* (11) may perform an audit of the money received by an organization from or through the state when the performance of the audit is approved by the Legislative Budget and Audit Committee; the audit is limited to the financial records of the organization.

*CS*  
*Financial*  
*Q.9.*  
*How successful*  
*CS.*

*OLD*

**SENATE BILL NO. 78**

**IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-SIXTH LEGISLATURE - FIRST SESSION**

**BY SENATOR DYSON**

**Introduced: 1/26/09  
Referred: State Affairs, Finance**

*new  
as  
coming  
from  
French  
this  
a.m.  
3/19/09*

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to the powers and duties of the legislative audit division."**

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

3 **\* Section 1.** AS 24.20.271 is amended to read:

4 **Sec. 24.20.271. Powers [AND DUTIES].** The legislative audit division may  
5 [SHALL]

6 (1) conduct a performance post-audit of boards and commissions  
7 designated in AS 44.66.010 and of those programs and activities of agencies subject to  
8 termination as determined in the manner set out in AS 44.66.020 and 44.66.030, and  
9 make the audit, together with a written report, available to the legislature not later than  
10 the first day of the regular session of the legislature convening in each year set out  
11 with reference to boards, commissions, or agency programs whose activities are  
12 subject to termination as prescribed in AS 44.66; the division shall notify the  
13 legislature that the audit and report are available;

14 (2) audit at least once every three years the books and accounts of all  
15 custodians of public funds and all disbursing officers of the state;

1 (3) at the direction of the Legislative Budget and Audit Committee,  
2 conduct performance post-audits on any agency of state government;

3 (4) cooperate with state agencies by offering advice and assistance as  
4 requested in establishing or improving the accounting systems used by state agencies;

5 (5) require the assistance and cooperation of all state officials and  
6 other state employees in the inspection, examination, and audit of state agency books  
7 and accounts;

8 (6) have access at all times to the books, accounts, reports, or other  
9 records, whether confidential or not, of every state agency;

10 (7) ascertain, as necessary for audit verification, the amount of agency  
11 funds on deposit in any bank as shown on the books of the bank; no bank may be held  
12 liable for making information required under this paragraph available to the legislative  
13 audit division; *— follow.*

14 (8) complete studies and prepare reports, memoranda, or other  
15 materials as directed by the Legislative Budget and Audit Committee;

16 (9) have direct access to any information related to the management of  
17 the University of Alaska and have the same right of access as exists with respect to  
18 every other state agency;

19 (10) conduct an audit every two years of information found in the  
20 annual reports required under AS 42.05.211 and AS 42.06.220 regarding compliance  
21 by the Regulatory Commission of Alaska with the requirements of AS 42.05.175(a) -  
22 (e) and of the timeline extensions made by the commission under AS 42.05.175(f),  
23 and of other performance measures adopted by the commission;

24 **(11) perform an audit of an organization that receives money from**  
25 **or through the state, including money that the state has received from the federal**  
26 **government, when the performance of the audit is approved by the Legislative**  
27 **Budget and Audit Committee.**

*follow State #* →

# FISCAL NOTE

**STATE OF ALASKA**  
**2009 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: SB78  
 () Publish Date: \_\_\_\_\_

Identifier (file name): SB78-LBA-DLA-03-13-09 Dept. Affected: Legislature  
 Title An Act relating to the powers and duties of the RDU Budget and Audit Committee  
Legislative Audit Division Component Legislative Audit  
 Sponsor Senator Dyson  
 Requester Senate State Affairs Component Number 773

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
		FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
<b>OPERATING EXPENDITURES</b>							
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>							
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<b>CHANGE IN REVENUES ( )</b>							
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2009) cost: \_\_\_\_\_

**POSITIONS**

Full-time							
Part-time							
Temporary							

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

This legislation has zero fiscal impact on the Division of Legislative Audit.

Prepared by: Pat Davidson, Legislative Auditor  
 Division Division of Legislative Audit  
 Approved by: Pat Davidson, Legislative Auditor  
Division of Legislative Audit

Phone 465-3816  
 Date/Time 3/13/09 9:34 AM  
 Date 3/13/2009



SENATOR FRED DYSON

SPONSOR STATEMENT

**SB 78 - An Act relating to the powers and duties of the Division of Legislative Audit**

The purpose of this bill is to make clear that the Division of Legislative Audit has the power to perform audits of non-governmental agencies, such as non-profit organizations, that receive money from or through the state.

The Legislature has, in the past, requested Legislative Audit to conduct audits as a result of allegations that non-profit organizations were disbursing grant funds inappropriately, such as "steering grants" to family members, or that grantees failed to follow state policy.

As state law is not clear in this area, the Division of Legislative Audit has expressed concerns regarding the authority to conduct such audits, particularly of non-state organizations that receive or utilize state funds or public funds that are administered by state departments.

Legislative Legal Services issued a memorandum opinion on December 18, 2007, and again on January 22, 2010 that if the Division of Legislative Audit is to be able to perform audits of private organizations receiving money from or through the state, the powers and duties of Legislative Audit, as identified in AS 24.20.271, should be amended to clearly state this authority.

Passage of SB 78 will make it clear that the Division of Legislative Audit, at the direction of the Legislative Budget and Audit Committee, has the authority to audit private organizations receiving money from or through the state.

**CS FOR SENATE BILL NO. 78(STA)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-SIXTH LEGISLATURE - FIRST SESSION**

**BY THE SENATE STATE AFFAIRS COMMITTEE**

**Offered:**

**Referred:**

**Sponsor(s): SENATOR DYSON**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to the powers and duties of the legislative audit division."**

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

3 **\* Section 1.** AS 24.20.271 is amended to read:

4 **Sec. 24.20.271. Powers [AND DUTIES].** The legislative audit division  
5 [SHALL]

6 (1) **shall** conduct a performance post-audit of boards and commissions  
7 designated in AS 44.66.010 and of those programs and activities of agencies subject to  
8 termination as determined in the manner set out in AS 44.66.020 and 44.66.030, and  
9 make the audit, together with a written report, available to the legislature not later than  
10 the first day of the regular session of the legislature convening in each year set out  
11 with reference to boards, commissions, or agency programs whose activities are  
12 subject to termination as prescribed in AS 44.66; the division shall notify the  
13 legislature that the audit and report are available;

14 (2) **shall** audit at least once every three years the books and accounts  
15 of all custodians of public funds and all disbursing officers of the state;

1 (3) **shall**, at the direction of the Legislative Budget and Audit  
2 Committee, conduct performance post-audits on any agency of state government;

3 (4) **shall** cooperate with state agencies by offering advice and  
4 assistance as requested in establishing or improving the accounting systems used by  
5 state agencies;

6 (5) **shall** require the assistance and cooperation of all state officials and  
7 other state employees in the inspection, examination, and audit of state agency books  
8 and accounts;

9 (6) **shall** have access at all times to the books, accounts, reports, or  
10 other records, whether confidential or not, of every state agency;

11 (7) **shall** ascertain, as necessary for audit verification, the amount of  
12 agency funds on deposit in any bank as shown on the books of the bank; no bank may  
13 be held liable for making information required under this paragraph available to the  
14 legislative audit division;

15 (8) **shall** complete studies and prepare reports, memoranda, or other  
16 materials as directed by the Legislative Budget and Audit Committee;

17 (9) **shall** have direct access to any information related to the  
18 management of the University of Alaska and have the same right of access as exists  
19 with respect to every other state agency;

20 (10) **shall** conduct an audit every two years of information found in the  
21 annual reports required under AS 42.05.211 and AS 42.06.220 regarding compliance  
22 by the Regulatory Commission of Alaska with the requirements of AS 42.05.175(a) -  
23 (e) and of the timeline extensions made by the commission under AS 42.05.175(f),  
24 and of other performance measures adopted by the commission;

25 **(11) may perform an audit of the money received by an**  
26 **organization from or through the state when the performance of the audit is**  
27 **approved by the Legislative Budget and Audit Committee.**

**CS FOR SENATE BILL NO. 78(STA)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY THE SENATE STATE AFFAIRS COMMITTEE

Offered: 3/20/09  
Referred: Finance

Sponsor(s): SENATOR DYSON

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to the powers and duties of the legislative audit division."

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

3 \* **Section 1.** AS 24.20.271 is amended to read:

4 **Sec. 24.20.271. Powers [AND DUTIES].** The legislative audit division  
5 [SHALL]

6 (1) shall conduct a performance post-audit of boards and commissions  
7 designated in AS 44.66.010 and of those programs and activities of agencies subject to  
8 termination as determined in the manner set out in AS 44.66.020 and 44.66.030, and  
9 make the audit, together with a written report, available to the legislature not later than  
10 the first day of the regular session of the legislature convening in each year set out  
11 with reference to boards, commissions, or agency programs whose activities are  
12 subject to termination as prescribed in AS 44.66; the division shall notify the  
13 legislature that the audit and report are available;

14 (2) shall audit at least once every three years the books and accounts  
15 of all custodians of public funds and all disbursing officers of the state;

1           (3) **shall**, at the direction of the Legislative Budget and Audit  
2 Committee, conduct performance post-audits on any agency of state government;

3           (4) **shall** cooperate with state agencies by offering advice and  
4 assistance as requested in establishing or improving the accounting systems used by  
5 state agencies;

6           (5) **shall** require the assistance and cooperation of all state officials and  
7 other state employees in the inspection, examination, and audit of state agency books  
8 and accounts;

9           (6) **shall** have access at all times to the books, accounts, reports, or  
10 other records, whether confidential or not, of every state agency;

11           (7) **shall** ascertain, as necessary for audit verification, the amount of  
12 agency funds on deposit in any bank as shown on the books of the bank; no bank may  
13 be held liable for making information required under this paragraph available to the  
14 legislative audit division;

15           (8) **shall** complete studies and prepare reports, memoranda, or other  
16 materials as directed by the Legislative Budget and Audit Committee;

17           (9) **shall** have direct access to any information related to the  
18 management of the University of Alaska and have the same right of access as exists  
19 with respect to every other state agency;

20           (10) **shall** conduct an audit every two years of information found in the  
21 annual reports required under AS 42.05.211 and AS 42.06.220 regarding compliance  
22 by the Regulatory Commission of Alaska with the requirements of AS 42.05.175(a) -  
23 (e) and of the timeline extensions made by the commission under AS 42.05.175(f),  
24 and of other performance measures adopted by the commission;

25           **(11) may perform an audit of the money received by an**  
26 **organization from or through the state when the performance of the audit is**  
27 **approved by the Legislative Budget and Audit Committee.**

**SENATE BILL NO. 78**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY SENATOR DYSON

Introduced: 1/26/09

Referred: State Affairs, Finance

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to the powers and duties of the legislative audit division."

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

3 \* **Section 1.** AS 24.20.271 is amended to read:

4 **Sec. 24.20.271. Powers [AND DUTIES].** The legislative audit division may  
5 [SHALL]

6 (1) conduct a performance post-audit of boards and commissions  
7 designated in AS 44.66.010 and of those programs and activities of agencies subject to  
8 termination as determined in the manner set out in AS 44.66.020 and 44.66.030, and  
9 make the audit, together with a written report, available to the legislature not later than  
10 the first day of the regular session of the legislature convening in each year set out  
11 with reference to boards, commissions, or agency programs whose activities are  
12 subject to termination as prescribed in AS 44.66; the division shall notify the  
13 legislature that the audit and report are available;

14 (2) audit at least once every three years the books and accounts of all  
15 custodians of public funds and all disbursing officers of the state;

1 (3) at the direction of the Legislative Budget and Audit Committee,  
2 conduct performance post-audits on any agency of state government;

3 (4) cooperate with state agencies by offering advice and assistance as  
4 requested in establishing or improving the accounting systems used by state agencies;

5 (5) require the assistance and cooperation of all state officials and  
6 other state employees in the inspection, examination, and audit of state agency books  
7 and accounts;

8 (6) have access at all times to the books, accounts, reports, or other  
9 records, whether confidential or not, of every state agency;

10 (7) ascertain, as necessary for audit verification, the amount of agency  
11 funds on deposit in any bank as shown on the books of the bank; no bank may be held  
12 liable for making information required under this paragraph available to the legislative  
13 audit division;

14 (8) complete studies and prepare reports, memoranda, or other  
15 materials as directed by the Legislative Budget and Audit Committee;

16 (9) have direct access to any information related to the management of  
17 the University of Alaska and have the same right of access as exists with respect to  
18 every other state agency;

19 (10) conduct an audit every two years of information found in the  
20 annual reports required under AS 42.05.211 and AS 42.06.220 regarding compliance  
21 by the Regulatory Commission of Alaska with the requirements of AS 42.05.175(a) -  
22 (e) and of the timeline extensions made by the commission under AS 42.05.175(f),  
23 and of other performance measures adopted by the commission;

24 **(11) perform an audit of an organization that receives money from**  
25 **or through the state, including money that the state has received from the federal**  
26 **government, when the performance of the audit is approved by the Legislative**  
27 **Budget and Audit Committee.**