

State of Alaska
Legislative Budget & Audit Committee

Annual Report

1987



114044

CHAIRMAN
Ronald L. Larson

VICE CHAIRMAN
Rick Halford

U.S. Department of Justice
National Institute of Justice

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STATE OF ALASKA
LEGISLATIVE BUDGET AND AUDIT COMMITTEE
ANNUAL REPORT
1987

NCJRS

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Gerald L. Wilkerson, CPA

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State of Alaska

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Committee on Budget and Audit
State Capitol
P.O. Box V
Juneau, Alaska 99811

December 18, 1987

Members of the Legislature

Fellow Members:

In accordance with AS 24.20.311, the following is the 1987 report of the Legislative Budget and Audit Committee. This report outlines the responsibility of the Legislative Budget and Audit Committee and its two professional divisions, the Division of Legislative Audit and the Division of Legislative Finance.

Copies of each audit report or special audit report released during 1987 are on file in the Senate and House Chambers, the office of the Legislative Budget and Audit Committee, the two Finance Committees, office of the Division of Legislative Audit, and in various libraries throughout the State. We would encourage all chairpersons to utilize this valuable information.

The Legislative Budget and Audit Committee wishes to thank the Legislature for its support in 1987.

Respectfully submitted,

Legislative Budget and Audit Committee

Representative Ronald L. Larson, Chairman

A handwritten signature in cursive script, reading "Rick Halford".

Senator Rick Halford, Vice Chairman

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ORGANIZATION AND FUNCTION

The Legislative Budget and Audit Committee is a permanent interim committee of the Legislature. It was established in 1955 as the Legislative Audit Committee. The Committee is composed of ten members and two alternates: the chairpersons of the Senate and House finance committees; one member selected from each of the Senate and House finance committees and appointed by the President of the Senate and the Speaker of the House, respectively; and three members and an alternate appointed from each house by the respective presiding officer. If the chairperson of a finance committee chooses not to serve, the presiding officer appoints a replacement from the finance committee.

The Committee has the responsibility for providing the Legislature with fiscal analysis, budget reviews, and audits of State government agencies, and for approving requests from the Governor to revise the appropriation act. As a result of the passage of Chapter 18, SLA 1980, the Committee has authority to monitor lending and investment activities of the State.

To provide the necessary technical assistance to accomplish the purposes, two permanent staff agencies have been created: the Legislative Finance Division and the Legislative Audit Division. These divisions report directly to the Legislative Budget and Audit Committee and are independent of Executive and Judicial agencies. The Committee also has some temporary employees to assist with Committee activities.

Legislative Finance Division

One of the primary responsibilities of a State legislative body is to research, draft, and enact revenue and appropriation measures. The Legislative Finance Division has the statutorily assigned responsibility to support the legislative budget process:

1. Analyze the budget and appropriation requests of each department, institution, bureau, board, commission, or other agency of State government.
2. Analyze the revenue requirements of the State.
3. Provide the finance committees of the Legislature with comprehensive budget review and fiscal analysis services.
4. Cooperate with the Division of Budget and Management in establishing a comprehensive system for State program budgeting and financial management as set out in the Executive Budget Act (AS 37.07).

5. Complete studies and prepare reports, memoranda, or other materials as directed by the Legislative Budget and Audit Committee.

The Legislative Finance Division reviews proposed changes to the operating budget and provides the Budget and Audit Committee with an analysis of proposed "revised programs" for Committee decisions.

The Legislative Finance Division is staffed by the Legislative Fiscal Analyst (Director), six fiscal analysts, data control specialist and seasonal data entry clerk, administrative officer, and accounting secretary. Division staff also includes the finance committee secretaries and for budgetary purposes, the staffs of the committee chairpersons and the finance aides assigned to committee members.

Beginning in FY 1987, the Division received its data processing programmer/analyst support from the Legislative Audit Division in place of its own staff position.

During FY 1988, the Division assumed responsibility from the Audit Division for conducting the majority of the sunset audits of the boards, commissions, and special agencies subject to the statutory review process.

Legislative Audit Division

In accordance with the Constitution of the State of Alaska and Title 24 of the Alaska Statutes, the Legislative Auditor and his staff conduct the post-audit function in the budget cycle. The Division was created in 1955.

All audits performed by the Division are external audits; that is, they are performed by an auditor who is independent of the executive head of the government unit or agency being audited. The three major types of audits performed by the Division are financial-compliance audits, performance audits, and special audits or reviews.

1. Financial-Compliance Audit

A financial-compliance audit determines: (a) whether financial operations are properly conducted; (b) whether the financial reports of an agency are presented fairly; and (c) whether the entity has complied with applicable State and Federal laws and regulations, as well as administrative policies and legislative intent.

2. Performance Audit

A performance audit is conducted to provide the Legislature with an evaluation and report on the manner

in which administrators of an agency have faithfully, efficiently, and effectively administered a program.

Faithfulness refers to whether or not programs have been administered in accordance with promises made to the Legislature and the expression of legislative intent. Effectiveness refers to whether or not planned program objectives have been achieved. Efficiency refers to whether or not program accomplishment has been achieved by using the least-cost combination of resources and with a minimum of waste.

The 1972 Legislature gave the Legislative Audit Division the authority to conduct performance audits of any agency of State government at the direction of the Budget and Audit Committee. The Committee has instructed the Legislative Auditor to review all audit assignments and conduct performance audits whenever considered practical and beneficial to the State.

The 1977 Legislature passed a "Sunset Law" which requires the Division to conduct performance audits of boards, commissions, and agency programs subject to termination under AS 44.66. The audit report, along with other reports and testimony, is considered when determining if there is public need for a board, commission, or program. During 1987, the Audit Division utilized the staff of the Finance Division to conduct the majority of the sunset audits.

3. Special Audit or Report

All special reports or special audits are conducted at the request of the Committee. Any member of the Legislature may request, through the Committee, a special audit or report. A special audit can cover many areas. It can be an audit that is restricted to one part of an agency's operations or it can be an audit reviewing financial transactions for a period of time shorter or longer than a fiscal year. The special report is often an information type report.

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811-3300

November 6, 1986

SUMMARY OF: A Performance Report on the Office of
the Governor, Alaska Women's Commission,
October 31, 1986.

PURPOSE OF THE REPORT

In accordance with the intent of Titles 24 and 44 of the Alaska Statutes (sunset legislation), an examination of the Alaska Women's Commission (AWC) was conducted to determine if the Commission has been operating in an effective, efficient, and economical manner.

The law currently specifies that this Commission will terminate on June 30, 1987, but will continue until June 30, 1988 for the purpose of concluding its affairs.

REPORT CONCLUSION

There are no quantifiable measures of AWC's effectiveness which demonstrate the benefits to Alaskans or whether women are afforded any significantly greater opportunities as the direct result of the Commission. However, we do recognize a benefit to having organizations devoted to improving the status of women, to serve as advocates for change, and to provide a forum for discussing significant issues.

Therefore, we recommend that AWC be allowed to continue to provide this forum. However, in our opinion, the budget for AWC should only provide for the travel and per diem of the Commission members. We recommend that the full-time staff support of AWC should be eliminated.

Audit Control Number
01-1274-87-R

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811-3300

April 2, 1987

SUMMARY OF: A Report on the Department of Administration,
Division of Finance, Payroll Section,
Application Controls over the Employee
Information System, March 25, 1987.

PURPOSE OF THE REPORT

In accordance with the provisions of Title 24 of the Alaska Statutes, we conducted a review of controls over the Employee Information System (EIS). Our review focused on electronic data processing (EDP) and other internal controls over EIS and its interface with the Alaska Statewide Accounting System (AKSAS). This included a reconciliation between the two systems for FY 86.

It also involved an evaluation of EIS application controls over the following areas: (1) implementation, (2) input, (3) processing, and (4) output.

FINDINGS AND RECOMMENDATIONS

1. The Department of Administration (DOA) should review existing payroll procedures, revising them as necessary, and document them in desk manuals or other appropriate formats.
2. DOA should periodically reconcile all EIS transactions to resulting transactions processed by AKSAS.
3. DOA should improve internal controls over the employee information system (EIS).
 - A. Program modifications are not always supported by appropriate written authorizations.
 - B. Changes to programs, including emergency changes, are not always adequately tested.
 - C. Cataloging of production programs is performed by application programmers and is not reviewed.
 - D. Controls are not adequate to ensure that input (including updates) is authorized.

Audit Control Number
02-1266-87-R

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
P.O. BOX W
JUNEAU, ALASKA 99811-3300

August 19, 1987

SUMMARY OF: A Report on the Department of Administration,
For the Fiscal Year Ended June 30, 1986.

PURPOSE OF THE REPORT

In accordance with the provisions of Title 24 of the Alaska Statutes, we conducted an examination of the Department of Administration to determine if the Department has complied with applicable State statutes and regulations governing fiscal activities, and if the financial information is fairly presented.

FINANCIAL STATEMENTS

Based on our audit tests, except for those matters identified in the Findings and Recommendations section, we found the Department of Administration has materially complied with applicable State statutes and regulations in carrying out their fiscal activities. In addition, the appropriations, expenditures, encumbrances, and ending balances for the Department of Administration for the fiscal year ended June 30, 1986 are fairly presented.

FEDERAL COMPLIANCE

We also reviewed the Department's compliance with certain provisions of Federal laws and regulations, as embodied in U.S. Office of Management and Budget Circular A-128. This portion of our review is detailed in Section 3 of this report.

FINDINGS AND RECOMMENDATIONS

Recommendation No. 1

The Department of Administration (DOA), Division of General Services and Supply (GSS), should follow established procedures before offering surplus property for public sale. Additionally, GSS should work with Information Resource Management (IRM) to assess the utility of data computing equipment prior to auction to the public.

GSS should improve its management of surplus property and public auction sales. GSS needs to make a better effort to comply with established procedures to ensure that no State agency has a use for equipment proposed for public auction.

In addition, GSS should consider establishing additional procedures, whereby IRM representatives review the condition and assess the utility of all data processing equipment prior to its sale or surplus. Such a procedure would allow IRM to know what kind of equipment various agencies were surplus and could assist GSS in making decisions regarding the best method of disposal.

Recommendation No. 2

GSS should document the discount received by the State for annual prepayment of leases.

GSS should document the discount consideration received by the State in both the lease document itself and the negotiating files for annual prepayment of leases. The lease should set out what the costs to the State would be for both an annual prepayment and a month-by-month lease payment. Such documentation would provide better assessment of the lease negotiator's performance, and would provide better information for management when reacting to changes in the office space leasing market. Such documentation should also demonstrate that the appropriate personnel in the Department of Revenue were consulted, and concurred that the discount negotiated was indeed in the best overall interest of the State, as compared to the return received on General Fund investments.

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811

August 28, 1986

SUMMARY OF: A Special Report on the Department of Administration, City of Shageluk, Power Plant Relocation, Grant Number 7/86-318, July 31, 1985 - August 22, 1986.

PURPOSE OF THE REPORT

In accordance with a Legislative Budget and Audit Committee request and Title 24 of the Alaska Statutes, an examination of the Department of Administration's grant to the City of Shageluk to relocate the City's power plant was conducted to determine if:

1. The Statement of Grant Expenditures and the Schedule of Grant Expenditures by Object are fairly presented.
2. The grantee complied with the provisions of the grant agreement.
3. The project was reasonably administered.

FINANCIAL STATEMENTS

Since the City of Shageluk has been unable to provide sufficient evidence in support of \$52,400 of grant expenditures, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the July 31, 1985 - August 22, 1986 Statement of Grant Expenditures and the Schedule of Grant Expenditures by Object for the Department of Administration's grant number 7/86-318.

The relocation project was administered by the City of Shageluk; they contracted to have Alaska Village Electric Cooperative, Inc. (AVEC) act as the General Manager over the project. As we were unable to review the activities and expenditures of Shageluk per se, our review of the finances and administration of the project was necessarily limited to AVEC. We reviewed the overall project scheduling, the materials use and scheduling, and the use of various forms of transportation. We believe that the portion of the relocation project that was directly controlled by AVEC was reasonably administered.

FINDINGS AND RECOMMENDATION

1. The Department of Administration (DOA) should review questioned costs and make a final determination of allowability under the terms of the grant.

The Department of Administration should consider requesting the return of the \$52,400 or any part of it that the City continues to be unable to demonstrate as being expended as intended by the Legislature.

It was also noted that the City of Shageluk did not comply with the various reporting and records maintenance provisions of the grant agreement.

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811

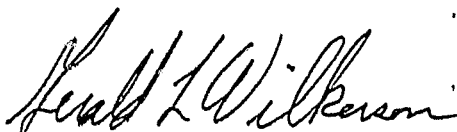
June 23, 1987

Members of the Legislative Budget
and Audit Committee:

Re: Department of Revenue
Alaska Gas Pipeline Financing Authority

The Alaska Gas Pipeline Financing Authority was created by Chapter 90, SLA 1978 (AS 44.82) as a public corporation and an instrumentality of the State. Administratively it is within the Department of Revenue but has a legal existence independent of and separate from the State. The purpose of the Authority is to assist in the financing of the gas pipeline through the issuance of revenue bonds.

Alaska Statute 44.82.180 requires that the Authority have its financial records audited annually by the Legislative Auditor. There has been no activity conducted by the Authority as of June 30, 1986 which would require an audit. This letter is therefore being submitted in lieu of a formal audit report.



Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit

Audit Control Number
04-1290-A-87-R

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811

July 22, 1987

SUMMARY OF: A Report on the Department of Education,
For the Fiscal Year Ended June 30, 1986

PURPOSE OF THE REPORT

In accordance with the provisions of Title 24 of the Alaska Statutes, we conducted an examination of the Department of Education to determine if the Department has complied with applicable State statutes and regulations governing fiscal activities, and if the financial information is fairly presented.

FINANCIAL STATEMENTS

Based on our audit tests, except for those matters identified in the Findings and Recommendations sections, we found the Department of Education has materially complied with applicable State statutes and regulations in carrying out their fiscal activities. In addition, the appropriations, expenditures, encumbrances, and ending balances for the Department of Education for the fiscal year ended June 30, 1986 are fairly presented.

FEDERAL COMPLIANCE

We also reviewed the Department's compliance with certain provisions of Federal laws and regulations, as embodied in U.S. Office of Management and Budget Circular A-128. This portion of our review is detailed in Section 3 of this report, and related findings are discussed in Recommendation No. 4 and in the Schedule of Noncompliance and Questioned Costs.

FINDINGS AND RECOMMENDATIONS

1. The Alaska Department of Education (ADOE) must comply with Article IX, Section 13 of the Constitution of the State of Alaska, and expend funds only for the purpose for which appropriated.
2. ADOE should control equipment and maintain property records in accordance with AS 37.05.160 and with State and Federal property regulations.

3. ADOE should improve control over appropriations.
4. ADOE should develop an approved policy for reallocating unexpended Federal carry-over funds within the grant availability period, and should not disburse funds in excess of that allocated to the local educational agency (LEA).

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811

May 26, 1987

SUMMARY OF: A Report on the Alaska Commission on Post-secondary Education, Scholarship Revolving Loan Fund, Teacher Scholarship Revolving Loan Fund, and Memorial Scholarship Loan Fund, For the Fiscal Year Ended June 30, 1986.

PURPOSE OF THE REPORT

In accordance with the provisions of Title 24 of the Alaska Statutes, an examination of the Alaska Commission on Postsecondary Education, Scholarship Revolving Loan Fund (SRLF), Teacher Scholarship Revolving Loan Fund (TSRLF), and Memorial Scholarship Revolving Loan Fund (MSRLF) was conducted to:

1. Determine if the financial statements present fairly the financial positions, results of operations, and changes in financial positions or fund balance for the Funds for the fiscal year ended June 30, 1986.
2. Determine the compliance by the Alaska Commission on Postsecondary Education with the applicable State statutes and regulations governing fiscal activities of the Funds.

FINANCIAL STATEMENTS

In our opinion, the financial statements present fairly the financial positions, results of operations, and changes in financial positions or fund balance for the fiscal year ended June 30, 1986.

The Alaska Commission on Postsecondary Education has complied with the applicable State statutes and regulations governing fiscal activities of the Fund.

FINDINGS AND RECOMMENDATIONS

1. The Alaska Commission on Postsecondary Education (ACPE) should discontinue transactions that transfer expenditures between appropriations as prohibited by AS 37.07.080(e).
2. ACPE should improve internal controls and monitoring involving the collections contract to properly safeguard the transferred loans receivable.

Audit Control Number
05-1284-87-R

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811-3300

March 25, 1987

SUMMARY OF: A Performance Report on the Department of
Education, Special Education Services Agency,
March 25, 1987.

PURPOSE OF THE REPORT

In accordance with the intent of Titles 24 and 44 of the Alaska Statutes (sunset legislation), an examination of the Special Education Services Agency (SESA) was conducted to determine if the Agency has been operating in an effective, efficient, and economical manner.

The law currently specifies that this Agency will terminate on June 30, 1987.

REPORT CONCLUSION

In our opinion, the SESA should continue to provide itinerant resources services for low-incidence handicapped students in Alaska.

FINDINGS AND RECOMMENDATIONS

1. The Department of Education should promulgate regulations delineating special education program standards, and once enacted, monitor school districts for compliance with those standards.
2. Alaska Statute 14.30.650 should be amended to require school districts utilizing SESA services to contribute to SESA funding.
3. The SESA Board of Directors should adopt a policy stating the maximum number of students of any one disability they will serve in a school district.

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUGH W
JUNEAU, ALASKA 99811-3300

February 17, 1987

SUMMARY OF: A Special Report on the Department of Education, Professional Teaching Practices Commission, January 30, 1987.

PURPOSE OF THE REPORT

In accordance with a Legislative Budget and Audit Committee request and Title 24 of the Alaska Statutes, this special report has been prepared to document our review of the Department of Education, Professional Teaching Practices Commission. Our review was performed to determine if the Commission has been operated in an efficient and effective manner and if the Commission should be continued or reorganized.

FINDINGS AND RECOMMENDATION

1. The Professional Teaching Practices Commission (PTPC), the Board of Education's Certification Task Force, and the certification function of the Department of Education (DOE) should be combined and transferred to the Department of Commerce and Economic Development, Division of Occupational Licensing.

Two major conclusions were drawn as a result of our review of PTPC: (1) PTPC has not been effective in carrying out the statutory intent of the Professional Teaching Practices Act; and (2) the current mechanism and organization for carrying out this intent is inefficient and uneconomical. The efficiency and effectiveness of the Commission would be greatly enhanced by combining it with the certification function of DOE as the two functions are naturally related and generally administered together. Combining them would also eliminate the persistent problem of disagreement between PTPC and DOE over allocation of program receipts from certificate fees.

The transfer of both functions to the Division of Occupational Licensing would not only provide economies of operation by reducing the number of personnel needed to carry out the functions, but would improve the Commission's effectiveness by eliminating the potential for bias or conflict of interest in certification and enforcement actions, and improving enforcement of ethics violations through access to the expertise of Division personnel.

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811-3300

March 24, 1987

SUMMARY OF: A Letter Report on the Department of Education, Alaska State Council on the Arts, February 18, 1987.

PURPOSE OF THE REPORT

In accordance with a special request of the Legislative Budget and Audit Committee and Title 24 of the Alaska Statutes, this letter report has been prepared to document our review of the current status and operations of the Alaska State Council on the Arts (ASCA).

CURRENT STATUS

ASCA was created in 1966 within the Office of the Governor. In 1980, the Council was transferred to the Department of Education by Executive Order No. 44. The Council consists of eleven members broadly representative of all fields of the performing, visual, and fine arts. Members are appointed by the Governor and are not subject to legislative confirmation. Staffing for the Council includes an executive director, grants administrator, half-time secretary, and half-time accounting position (currently vacant).

During the period FY 82 through FY 86, ASCA operated on a budget averaging approximately \$5,200,000 which included Federal funds of approximately \$635,000. Faced with declining State revenues, the Legislature appropriated \$2,706,700 to operate ASCA during FY 87. This amount was further reduced to \$2,300,700 as a result of Governor Sheffield's FY 87 budget reduction measures.

CONCLUSION

We recommend the continued existence of the Alaska State Council on the Arts for the receipt and disbursement of Federal funds available for art programs and organizations in the State, and as a vehicle of equitable distribution of funding for arts programs and organizations. It is currently estimated that approximately \$500,000 in Federal arts funding is available to the Council for FY 88, with a fifty-fifty matching requirement. In light of the State's declining revenues and dwindling ability to fund special programs, we recommend General Fund support only to the extent necessary to meet Federal matching requirements.

Audit Control Number
05-4256-87-S

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811-3300

December 16, 1986

Members of the Legislative Budget
and Audit Committee:

RE: Alaska Historical Commission (AHC)

This letter constitutes our report on the status and operation of the Alaska Historical Commission.

AHC was created in 1972 within the Office of the Governor. In 1980, the Commission was transferred to the Department of Education by Executive Order No. 43. The Commission consists of the Lieutenant Governor who serves as chairman, four members appointed by the Governor, and the Executive Director who serves as a non-voting member of the Commission.

The duties of AHC are to:

1. Survey, evaluate, and catalog Alaska prehistory and history materials now in print.
2. Ascertain and register what Alaska prehistory and history work is now in progress.
3. Identify the existing gaps in the coverage of Alaska's past in presently available published works and establish priorities for bridging them.
4. Prepare a thematic study of Alaska's history for historic preservation.
5. Identify the sources of Alaska's history.
6. Coordinate the production and publication of works that will adequately present all aspects of Alaska's past.
7. Cooperate with Federal government programs relating to history and archaeology.

Prior to FY 87, AHC operated on a budget averaging approximately \$550,000 which included grant funds of approximately \$300,000. Faced with declining State revenues the Legislature appropriated \$100,000 to operate AHC during FY 87. This amount was further reduced to \$85,000 as a result of Governor Sheffield's FY 87 budget reduction measures.

Legislative Budget and
Audit Committee

-2-

December 16, 1986

In June of 1986, the Lieutenant Governor and the Commissioners of Education and Natural Resources recommended that the Governor issue an executive order transferring AHC to the Department of Natural Resources (DNR). Once transferred to DNR's Division of Parks and Outdoor Recreation, AHC would be consolidated with the Alaska Archaeological Survey and the Office of History and Archaeology.

On July 2, 1986 a Reimbursable Services Agreement was executed effecting the transfer. The consolidation should "... produce a single more effective and economically sound effort to promote the preservation and understanding of Alaska's history and prehistory." A draft executive order has been prepared and will be submitted to both houses of the Legislature. Unless disapproved by the Legislature, the order becomes effective after 60 days.

Since the consolidation in July the major efforts of AHC have been in two directions, the integration of the three agencies being consolidated, and the finalizing of the twelve active grant projects in existence at that time. No new objectives have been set for AHC as they have met only once since the consolidation and have delayed new program development until they are aware of what budget restrictions they will be operating under with the new administration.

Conclusion

While the integration of the three agencies is not yet complete; in our opinion, it appears that the remaining functions of AHC could be absorbed by DNR. Therefore, we recommend that the Legislature consider the repeal of the AHC statutes and the elimination of the executive director position. The newly consolidated history and archaeology section should ensure that it has the necessary statutory authority to continue the basic historic preservation goals of AHC.

As an alternative to the elimination of AHC, the Legislature may want to consider merging the Commission with the Historic Sites Advisory Committee which also works with the history and archaeology section under the Alaska Historic Preservation Act (AS 41.35). The newly constituted panel should further enhance the Department's efforts to integrate its history and archaeology functions, while also reducing the administrative costs associated with two separate public panels advising the same agency.



Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811

January 23, 1987

SUMMARY OF: A Special Report on the Department of
Education, Alaska School Activities
Association, January 23, 1987.

PURPOSE OF THE REPORT

In accordance with a Legislative Budget and Audit Committee request and Title 24 of the Alaska Statutes, a review of the Alaska School Activities Association was conducted to determine the efficiency and effectiveness of the Association.

FINDINGS AND RECOMMENDATIONS

1. The Department of Education (DOE) should seek repeal of AS 14.07.058-.070 to remove the Alaska School Activities Association (ASAA) from DOE and State control.

ASAA has acted independently from DOE since its enacting legislation in 1976. ASAA formed a nonprofit corporation, the Alaska School Activities Association, Inc., to receive and spend program receipts of ASAA. Dues and other receipts have been deposited in bank accounts of this corporation since April 1986, with the concurrence of DOE. We questioned the propriety of allowing a non-State organization to receive and expend funds of the State agency without authorization from the Legislature. The Attorney General's office agreed that this is in direct violation of existing statutes. The Attorney General's office also stated that the relationship of the two entities could result in State liability for any negligence on the part of the nonprofit corporation.

In our opinion, the State of Alaska should discontinue its involvement in the functions of the ASAA. These are not essential State functions and should more appropriately be funded and controlled by the school districts in the State.

To accomplish this, the ASAA statutes should be repealed. The nonprofit corporation should be allowed to operate independent of the State.

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811-3300

February 1, 1987

SUMMARY OF: A Report on the Alaska Commission on Postsecondary Education, January 15, 1987.

PURPOSE OF THE REPORT

In accordance with a Legislative Budget and Audit Committee special request and Title 24 of the Alaska Statutes, we conducted a special review of the Alaska Commission on Postsecondary Education to determine if the agency's performance is acceptable in terms of economy, efficiency, and effectiveness.

We primarily reviewed the agency's role in the regulation of private postsecondary schools within the State and the planning, coordination, and review of the State's postsecondary education.

FINDINGS AND RECOMMENDATIONS

Recommendation No. 1

The Alaska Commission on Postsecondary Education (ACPE) should be abolished and its various duties should either be transferred to existing agencies or be made a part of a restructured State agency.

Due to the statutory status and authority of the University of Alaska (UA), ACPE has not been able to provide effective coordinated and comprehensive planning of the State's postsecondary education. UA, through the exercise of its operation and management authority, has essentially rendered ACPE's centralized coordination and planning role of little or no consequence.

It is difficult to measure the past effectiveness of ACPE's analysis and advisory function. The agency has developed some interesting and potentially useful analyses of certain aspects of UA's operations. However, given ACPE's organizational structure under current and prospective funding levels, the agency will not be able to provide its past level of review and analysis.

In the event that the Legislature decides to retain ACPE's present structure and duties, we recommend the following changes be made in its operation (see Recommendations 2-4).

Recommendation No. 2

The Legislature should grant ACPE statutory planning and program approval authority over the University of Alaska system.

We recommend that the Legislature consider either enhancing ACPE's effectiveness by giving it statutory program review authority and the accompanying funding to be effective in this area; or, as stated in Recommendation No. 1, abolish the agency and either restructure it or transfer its functions to other State agencies.

Recommendation No. 3

ACPE should restructure the authorization process for proprietary schools. We recommend that ACPE pursue the following steps:

- A. Seek legislation increasing registration fees.
- B. Seek to increase bonding requirements.
- C. "Deregulate" certain types of limited postsecondary education programs.
- D. Transfer the position responsible for regulation to Anchorage.

Recommendation No. 4

ACPE should request and/or the Legislature should direct the Department of Administration, Division of Personnel to evaluate the classification and pay of the agency's personnel.

It would be beneficial for ACPE and/or the Legislature to request that the Department of Administration's Division of Personnel (DOP) conduct a formal classification and pay review of ACPE positions. Such a review would better assess how the tasks and compensation of ACPE's personnel compare with that of other job classifications statewide.

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
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JUNEAU, ALASKA 99811

May 15, 1987

SUMMARY OF: A Special Report on the Department of Education,
Fairbanks North Star Borough School District,
Pupil Transportation Contract, May 15, 1987.

PURPOSE OF THE REPORT

In accordance with a special request of the Legislative Budget and Audit Committee and Title 24 of the Alaska Statutes, this special report has been prepared to document our review of the Fairbanks North Star Borough School District's pupil transportation contract entered into on April 4, 1985. Our review was conducted to determine if the contract was properly negotiated, entered into, and modified in accordance with the governing laws and regulations.

AUDITOR'S CONCLUSIONS

In our opinion, the contract between the Fairbanks North Star Borough School District and Transportation and Marketing Systems, Inc. (TMSI) was properly negotiated, entered into, and modified in accordance with State law, with the regulations of Department of Education, and with the terms and conditions of the transportation contract.

AUDITOR'S COMMENTS

During our review it quickly became evident that a major reason for the concerns over the current contractor's ability to satisfy the terms and conditions of the contract was the decision of TMSI to discontinue its subcontract with Anders Transportation. Many options have been explored, without success, to keep the services of Anders Transportation. In the end, the decision was made to not object to TMSI's action, as it was their contractual right to discontinue the subcontract.

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811-3300

May 12, 1987

SUMMARY OF: A Special Report on the Department of Education,
Museum of Alaska Transportation and Industry,
April 24, 1987.

PURPOSE OF THE REPORT

In accordance with a Legislative Budget and Audit Committee request and Title 24 of the Alaska Statutes, this special report has been prepared to document the performance of the Museum of Alaska Transportation and Industry, specifically in regards to State grant funds, election procedures, and use of Museum vehicles.

FINDINGS AND RECOMMENDATIONS

1. The Board of Trustees of the Museum of Alaska Transportation and Industry (MATI) should promulgate and update Museum policy as needed and document that policy for board, management, and public use.

The board of trustees and management of the Museum have recently been the object of allegations of mismanagement which we found to have evolved from lack of knowledge or disagreement with board policy, or disagreement with management's discretionary decision making. We recommend the board formally set down policy on acquisitions, use of artifacts, and use of museum vehicles (non-artifact), and that the policy be available for easy reference and updated as needed.

2. MATI should comply with adopted Museum by-laws and "Robert's Rules of Order" for election of trustees.

The procedures followed for the election of trustees at the MATI annual meeting on September 21, 1986 were not in conformance with "Robert's Rules of Order" in that absentee ballots were printed, distributed, and required to be returned before nominations were closed. New bylaws were adopted at the March 11, 1987 meeting of the board of trustees which should avoid any future problems such as those encountered during the 1986 election process.

Audit Control Number
05-4290-87-S

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
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JUNEAU, ALASKA 99811

June 15, 1987

SUMMARY OF: A Report on the Department of Health and Social Services, For the Fiscal Year Ended June 30, 1986.

PURPOSE OF THE REPORT

In accordance with the provisions of Title 24 of the Alaska Statutes, we conducted an examination of the Department of Health and Social Services to determine if the Department has complied with applicable State statutes and regulations governing fiscal activities, and if the financial information is fairly presented.

FINANCIAL STATEMENTS

Based on our audit tests, except for those matters identified in the Findings and Recommendations sections, we found the Department of Health and Social Services has materially complied with applicable State statutes and regulations in carrying out their fiscal activities. In addition, the appropriations, expenditures, encumbrances, and ending balances for the Department of Health and Social Services for the fiscal year ended June 30, 1986 are fairly presented.

FEDERAL COMPLIANCE

We also reviewed the Department's compliance with certain provisions of Federal laws and regulations, as embodied in U.S. Office of Management and Budget Circular A-128. This portion of our review is detailed in Section 3 of this report, and related findings are discussed in Recommendation 2.

FINDINGS AND RECOMMENDATIONS

1. The Department of Health and Social Services (DHSS) should resolve the indicated shortfall in the Medical Assistance appropriation.
2. DHSS should ensure that Food Stamp participation information being reported to the U.S. Department of Agriculture, Food and Nutrition Service (FNS) and Aid to Families with Dependent Children participation information being reported to the Social Security Administration is accurate.

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

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May 15, 1987

SUMMARY OF: A Report on the Department of Labor, Unemployment Compensation Fund, For the Fiscal Year Ended June 30, 1986.

PURPOSE OF THE REPORT

In accordance with Title 24 of the Alaska Statutes, we conducted an examination of the Department of Labor, Unemployment Compensation Fund to determine if the financial statements appearing in the State's Annual Financial Report for the fiscal year ended June 30, 1986, are fairly presented, and if the Department has complied with applicable State statutes and regulations governing fiscal activities.

FINANCIAL STATEMENTS

In our opinion, the Balance Sheet and the Analysis of Changes in Equities and Reserves for the Unemployment Compensation Fund for the fiscal year ended June 30, 1986 are fairly presented in the State's Annual Financial Report.

FEDERAL COMPLIANCE

We also reviewed the Department's compliance with certain provisions of Federal laws and regulations, as embodied in U.S. Office of Management and Budget Circular A-128. This portion of our review is detailed in Section 3 of this report, and all instances of noncompliance that we found are identified in the Schedule of Noncompliance and Questioned Costs. Total questioned costs identified amounted to \$3,071,071.

FINDINGS AND RECOMMENDATIONS

1. The Department of Labor (DOL) should establish and enforce a comprehensive security program relating to data processing activities.
2. DOL should develop, adopt, and enforce written policies, procedures, and standards for the data processing function.

3. DOL should limit and control access to the VSAM data file which contains the security system information for the Automated Benefit Payment System (ABPS).
4. DOL should improve the computer access controls employed in ABPS by developing a non-hierarchical access control system (e.g., matrix) to replace the current hierarchical access control system.
5. DOL should establish control procedures and make use of various control totals within the operation of ABPS to ensure that no unauthorized transactions are added and no authorized transactions were omitted during processing.
6. ABPS transactional history files and program files should be adequately safeguarded to ensure their retention for historical purposes.

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811

July 27, 1987

SUMMARY OF: A Report on the Alaska Department of Labor,
For the Fiscal Year Ended June 30, 1986.

PURPOSE OF THE REPORT

In accordance with the provisions of Title 24 of the Alaska Statutes, we conducted an examination of the Alaska Department of Labor to determine if the Department has complied with applicable State statutes and regulations governing fiscal activities, and if the financial information is fairly presented.

FINANCIAL STATEMENTS

Based on our audit tests, except for those matters identified in the Findings and Recommendations section, we found the Alaska Department of Labor has materially complied with applicable State statutes and regulations in carrying out their fiscal activities. In addition, the appropriations, expenditures, encumbrances, and ending balances for the Alaska Department of Labor for the fiscal year ended June 30, 1986 are fairly presented.

FEDERAL COMPLIANCE

We also reviewed the Department's compliance with certain provisions of Federal laws and regulations, as embodied in U.S. Office of Management and Budget Circular A-128. This portion of our review is detailed in Section 3 of this report.

FINDINGS AND RECOMMENDATIONS

1. The Alaska Department of Labor needs to improve or establish internal controls in several areas of their operation.
 - A. Controls over accounting for Mechanical Inspection receipts need to be improved.

Internal controls currently employed in relation to the receipt and processing of monies collected by the Mechanical Inspection section of the Division of Labor

Standards and Safety are not adequate. The potential exists for the misappropriation of funds to occur and the fact go undetected due to weak or missing controls. In addition, the current situation would make it impossible to fix responsibility if funds were to be found missing.

B. Controls related to the use of on-line certifying responsibility/distribution (RD) codes need to be strengthened.

The use of on-line certifying RD codes replaced the use of individuals' signatures for the purpose of certifying documents for processing when the State converted to the current accounting system on July 1, 1985.

We found instances where certifying officers were allowing other individuals to use their RD codes to certify certain types of expenditure transactions.

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
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May 14, 1987

SUMMARY OF: A Report on the Department of Commerce and Economic Development, Division of Accounting and Collections, Division of Investments, Loan Programs, For the Fiscal Year Ended June 30, 1986.

PURPOSE OF THE REVIEW

In accordance with the provisions of Title 24 of the Alaska Statutes, we conducted an examination of the loan programs within the Department of Commerce and Economic Development, Division of Accounting and Collections, Division of Investments to determine:

1. If the financial statements present fairly the financial position, results of operations, and changes in financial position for each fund for the fiscal year ended June 30, 1986.
2. The Division's compliance with applicable State statutes and regulations governing the funds' fiscal activities.

FINANCIAL STATEMENTS

In our opinion, the financial statements for the fiscal year ended June 30, 1986 for the following funds are fairly presented:

Alaska World War II Veterans' Revolving Fund
Small Business Revolving Loan Fund
Commercial Fishing Revolving Loan Fund
Tourism Revolving Loan Fund
Child Care Facility Revolving Loan Fund
Historical District Revolving Loan Fund
Fisheries Enhancement Revolving Loan Fund
Alternative Energy Revolving Loan Fund
Bulk Fuel Revolving Loan Fund
Residential Energy Conservation Fund
Mining Loan Fund
Power Development Revolving Loan Fund

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
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April 13, 1987

SUMMARY OF: A Report on the Department of Commerce and Economic Development, Division of Insurance, Medical Malpractice Revolving Loan Fund, For the Fiscal Years Ended June 30, 1986 and 1985.

PURPOSE OF THE REPORT

In accordance with the provisions of Title 24 of the Alaska Statutes, we conducted an examination of the Department of Commerce and Economic Development, Division of Insurance, Medical Malpractice Revolving Loan Fund, to determine:

1. If the financial statements appearing in the State's Annual Financial Report for the fiscal years ended June 30, 1986 and 1985 are fairly presented.
2. The Division's compliance with applicable State statutes and regulations governing the fund's fiscal activities.

FINANCIAL STATEMENTS

In our opinion, the financial statement presents fairly the financial position of the Medical Malpractice Revolving Loan Fund for the fiscal years ended June 30, 1986 and 1985.

SUBSEQUENT EVENTS

In December 1986, an additional loan of \$2,000,000 was made to MICA bringing the total loans made under this program to \$5,000,000 of the statutory limit \$6,000,000.

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
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JUNEAU, ALASKA 99811-3300

January 14, 1987

SUMMARY OF: A Performance Report on the Department of Commerce and Economic Development, Board of Psychologist and Psychological Associate Examiners, December 19, 1986.

PURPOSE OF THE REPORT

In accordance with the intent of Titles 24 and 44 of the Alaska Statutes (sunset legislation), we have reviewed the activities of the Board of Psychologist and Psychological Associate Examiners. Our examination was conducted to determine if the Board has been operating in an efficient, effective manner and whether the Board should be reestablished. The law now specifies that the Board will terminate on June 30, 1987.

REPORT CONCLUSION

In our opinion, the Board of Psychologist and Psychological Associate Examiners should be reestablished. The regulation and licensing of qualified professionals is necessary to protect the public's health, safety, and welfare. The Board provides this service by establishing minimum educational and experience requirements that provide reasonable assurance that persons licensed are qualified. Also, assurances that those licensed act in a competent manner are provided by active investigation of complaints and revocation or suspension of licenses when appropriate.

FINDINGS AND RECOMMENDATION

1. The Board should adhere to regulations concerning Board powers to deny applicants from licensure by examination.

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811-3300

January 13, 1987

SUMMARY OF: A Performance Report on the Department of
Commerce and Economic Development, State
Medical Board, January 7, 1987.

PURPOSE OF THE REPORT

In accordance with the intent of Titles 24 and 44 of the Alaska Statutes (sunset legislation), we have reviewed the activities of the State Medical Board. Our examination was conducted to determine if the Board has been operating in an efficient, effective manner and whether the Board should be reestablished. The law now specifies that the Board will terminate June 30, 1987.

REPORT CONCLUSION

In our opinion, the State Medical Board should be reestablished. The regulation and licensing of qualified professionals is necessary to protect the public's health, safety, and welfare. The Board provides this service by establishing minimum educational and experience requirements that provide reasonable assurance that persons licensed are qualified. Also, assurances that those licensed act in a competent manner are provided by investigation of complaints and revocation or suspension of licenses when appropriate.

Audit Control Number
08-1271-87-R

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811-3300

January 12, 1987

SUMMARY OF: A Performance Report on the Department of
Commerce and Economic Development, Board of
Marine Pilots, November 28, 1986.

PURPOSE OF THE REPORT

In accordance with the intent of Titles 24 and 44 of the Alaska Statutes (sunset legislation), we have reviewed the activities of the Board of Marine Pilots. Our examination was conducted to determine if the Board has been operating in an efficient, effective manner and whether the Board should be reestablished. The law now specifies that the Board will terminate June 30, 1987.

REPORT CONCLUSION

In our opinion, the Board of Marine Pilots should be reestablished. The regulation and licensing of qualified professionals is necessary to protect the public's health, safety, and welfare. The Board provides this service by establishing minimum educational and experience requirements that provide reasonable assurance that persons licensed are qualified. Also, assurances that those licensed act in a competent manner are provided by investigation of complaints and revocation or suspension of licenses when appropriate.

FINDINGS AND RECOMMENDATION

1. The Division of Occupational Licensing's investigative unit should ensure timely, effective, and efficient investigations of licensing complaints.

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811-3300

December 12, 1986

SUMMARY OF: A Performance Report on the Department of
Commerce and Economic Development, Board of
Nursing, December 10, 1986.

PURPOSE OF THE REPORT

In accordance with the intent of Titles 24 and 44 of the Alaska Statutes (sunset legislation), an examination of the Board of Nursing was conducted to determine if the Board has been operating in an effective, efficient, and economical manner.

The law currently specifies that this Board will terminate on June 30, 1987.

Report Conclusion

In our opinion, the Board of Nursing should continue to regulate the practice of nursing. This regulation is necessary to protect the public's health, safety, and welfare.

In the public's best interest, the Board has developed regulations that will require practitioners to maintain a level of competency and has composed formal regulations which define license violations. However, to better serve the public, the Department of Commerce and Economic Development should ensure that public notices are advertised well in advance of nursing exam dates.

Audit Control Number
08-1273-87-R

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811

June 27, 1987

SUMMARY OF: A Report on the Department of Commerce and
Economic Development, For the Fiscal Year
Ended June 30, 1986.

PURPOSE OF THE REPORT

In accordance with the provisions of Title 24 of the Alaska Statutes, we conducted an examination of the Department of Commerce and Economic Development (DCED) with the exception of the Alaska Power Authority, Alaska State Housing Authority, Alaska Industrial Development Authority, and Alaska Railroad Corporation. These entities are semiautonomous public corporations and are audited annually by private accounting firms. The loan programs which are administered by DCED are audited separately by the Division of Legislative Audit and are excluded from the scope of this audit. Our examination was made to determine if the Department has complied with applicable State statutes and regulations governing fiscal activities, and if the financial information is fairly presented.

FINANCIAL STATEMENTS

Based on our audit tests, we found the Department of Commerce and Economic Development has materially complied with applicable State statutes and regulations in carrying out their fiscal activities. In addition, the appropriations, expenditures, encumbrances, and ending balances for the Department of Commerce and Economic Development for the fiscal year ended June 30, 1986 are fairly presented.

FEDERAL COMPLIANCE

We also reviewed the Department's compliance with certain provisions of Federal laws and regulations, as embodied in U.S. Office of Management and Budget Circular A-128. This portion of our review is detailed in Section 3 of this report.

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUGH W
JUNEAU, ALASKA 99811-3300

September 15, 1986

SUMMARY OF: A Special Report on the Department of Commerce and Economic Development, Board of Dental Examiners, August 27, 1986.

PURPOSE OF THE REPORT

In accordance with a Legislative Budget and Audit Committee request and the provisions of Title 24 of the Alaska Statutes, we reviewed and evaluated the licensing and examination practices of the Board of Dental Examiners to determine whether they are setting standards which are artificially high in order to limit competition. In addition, we performed a follow-up review of actions taken by the Board in response to House and Senate Letters of Intent related to the Board of Dental Examiners which were adopted during the second session of the 14th Alaska State Legislature.

AUDITOR COMMENTS AND REPORT CONCLUSIONS

Licensing and Examination Practices - In our review of the Board's examination and licensing practices and procedures we did not find evidence that the Board has set standards which are artificially high in order to limit competition. We did find, however, that entry into the dental profession in Alaska has been effectively limited due, in part, to the Board's failure to provide a means for dental licensure by credentials and, in part, to the commonness of high failure rates on past dental examinations.

Legislative Intent - Except for areas of intent involving dental licensure by credentials and credentialing for dental specialists, the Board has complied with legislative intent adopted in conjunction with the passage of CSHB 614 (HESS) (title am), an act extending the termination date of the Board of Dental Examiners.

FINDINGS AND RECOMMENDATIONS

1. The Alaska Board of Dental Examiners should issue dental licenses to qualified dentists based on their performance records in lieu of requiring they pass an examination. (Licensure by credentials).

2. The Alaska Board of Dental Examiners should affiliate with one or more of the four existing regional testing services for the examination of dental candidate's clinical skills in lieu of administering a State-run clinical examination.

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811

February 26, 1987

SUMMARY OF: A Special Report on the Department of Commerce and Economic Development, Alaska Public Utilities Commission, Alaska Power Authority, Power Cost Equalization Program, January 30, 1987.

PURPOSE OF THE REPORT

In accordance with a Legislative Budget and Audit Committee request and Title 24 of the Alaska Statutes, this special report has been prepared to respond to the following specific questions relating to the Power Cost Equalization (PCE) program. The questions follow: (1) Has the Alaska Public Utilities Commission (APUC) taken a proactive role in seeking out communities for participation in the PCE program? (2) How many staff persons and staff hours does APUC dedicate to the PCE program? (3) Is there a duplication of effort between the activities of APUC and the Alaska Power Authority (APA) in implementing the PCE program? (4) Does APUC work in conjunction with APA to get communities enrolled in the PCE program? (5) Would the transfer of the administrative functions of the PCE program to APA provide for a more efficient and cohesive PCE program?

AUDITOR'S COMMENTS

APUC has not taken a proactive role in seeking out communities for participation in the PCE program as PCE legislation does not mandate this be done. When distributing general orders regarding program requirements the Commission attempted to blanket all existing utilities. There has been no joint effort by APA and APUC to enroll utilities. Both agencies respond to requests for information as well as participate in conferences or meetings when invited to do so.

There is no duplication of effort between the activities of APUC and APA in implementing the PCE program. APUC utilizes the equivalent of five full-time employees to process applications, verify eligibility, and establish rates. APA reviews monthly reports and disburses PCE payments. A combining of the functions would provide for a more efficient and cohesive program; however, we recommend the functions be combined under APUC.

FINDINGS AND RECOMMENDATIONS

1. Responsibility for the Power Cost Equalization Program should be administratively combined within the Alaska Public Utilities Commission (APUC).

Although there is currently no duplication of effort between the two agencies, enforcement of the PCE Act has been limited by inadequate cooperation between them. Consolidation of the two program elements would improve program enforcement without increasing administrative costs.

2. APUC should seek clarification and revision of vague and unenforceable provisions of the PCE Program statutes.

There are several sections of AS 44.83.162 needing clarification including (a) the window of allowable costs for which power cost equalization may be paid which should be adjusted annually by the Commission; and (b) the definition of "eligible electric utility" as it relates to utilities not in existence in calendar years 1983 and 1984.

3. APUC should amend regulations to incorporate processing time deadlines for PCE rate change cases.

During our review twenty-eight percent of the utilities participating in the PCE program were operating under an interim rate and had been for an average of twelve months. Interim rates are potentially refundable and, therefore, the longer the interim rate period the greater the potential for financial harm to utility consumers.

4. APUC should compile PCE program statistics and monitor those statistics for indications of program abuse.

Program statistics are currently being compiled by APA from monthly reports submitted by participating utilities. The information is not being analyzed, however, for indications of program abuse.

5. APUC should coordinate and cooperate with other State sponsored energy programs for electric utilities.

Increased cooperation is needed to reduced the fragmentation of State energy programs and to allow effective enforcement of certain PCE eligibility requirements.

6. APUC should implement a time management system.

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811-3300

February 6, 1987

SUMMARY OF; A Special Report on the Department of Commerce and Economic Development, Division of Accounting Collections' Program of Vessel Repossession and Resale.

PURPOSE OF THE REPORT

In accordance with a Legislative Budget and Audit Committee request and Title 24 of the Alaska Statutes, we conducted a review of the Department of Commerce and Economic Development, Division of Accounting and Collections' program of vessel repossession and resale to determine if the program is being operated in an economical and efficient manner and if the Division has complied with applicable State statutes and regulations governing fiscal activities.

FINDINGS AND RECOMMENDATIONS

The Department of Commerce and Economic Development's Division of Accounting and Collections (DOAC) should explore avenues to increase their return on the sale of repossessed vessels.

Audit Control Number
08-4276-87-S

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811-3300

May 13, 1987

Members of the Legislative Budget
and Audit Committee:

RE: Contracts and Procedures of the Alaska Railroad
Corporation Tours

This letter constitutes our report on the examination of the Alaska Railroad Corporation (ARRC) relating to their procedures and contracting in packaging railway tours.

BACKGROUND

ARRC has developed and printed a full-color 12 page sales brochure titled: Alaska Railroad Tours 1987. This brochure includes scenic and wildlife photographs, train fees and schedules, "options" listings of activities in various cities along the route, and advertisements for several tour packages. The options listings include generic descriptions and specific vendor names, while the tour descriptions do not contain vendor names. The purpose of the brochure is to sell rail transportation and the tours and options were designed to increase these sales.

We understand that this brochure was ARRC's first comprehensive attempt at packaging and marketing rail passenger service. They hope the high cost of maintaining scheduled passenger service can be offset by utilizing the available capacity of these trains. The past practice of merely printing train schedules was not filling this available space.

FINDINGS

In the travel industry, agents earn commissions by booking sales for various vendors. Tour packagers can either earn similar commissions or they can operate a business that purchases package components and markets the complete tour. ARRC considered themselves to be an agent; they made sales for vendors and collected commissions. They saw it as selling rail transportation and taking a travel agent's commission on sales they made for boat operators or hotels. As an agent, nothing was purchased; thus ARRC did not request competitive proposals or bids and did not require contracts.

Our chief concern is with the appearance of favoritism in this situation. First, in the brochure, some vendors are listed by name and other vendor's services are described; this amounts to ARRC paid advertising for a select few private companies. Second, in booking sales for these or other vendors, ARRC will likely turn to some companies more than others. There will be an appearance of favoritism in both these areas, unless ARRC allows all qualified vendors an equal opportunity to participate in the Tours Program.

RECOMMENDATIONS

The Railroad should consider allowing all qualified vendors an opportunity to buy advertising space in next year's brochure. ARRC could sell uniform advertisements, segregated by region, to include the vendor's name, brief description of services, and phone number. ARRC may want to indicate that the listings are advertisements and not endorsements and may also want to establish minimum vendor requirements, such as an Alaska business licence, proof of insurance, train schedule compatibility, etc. These ads would replace the present "options" listings in the brochure.

The public should also have an equal opportunity to participate in Tours Program bookings. Whether this activity is viewed as commission sales or as the purchase of components to complete a railway package tour that has been sold, the appearance of favoritism can be reduced through a competitive proposal process. The requests for proposals would generally be somewhat narrow in scope and specific as to the qualities ARRC believes would produce a highly marketable tour package. The scope and qualities requested should be developed through an overall marketing plan to demonstrate that the request itself is not a form of favoritism. Upon completion of this competitive process, ARRC could advertise and sell these tour packages.

ARRC, as an instrumentality of the State, should attempt to avoid the appearance of favoritism. The above recommendations would provide public notice of the Railroad's intent to book package tours and to sell advertising space to other vendors and would allow all interested parties an equal opportunity to participate.



Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
P.O. BOX W
JUNEAU, ALASKA 99811-3300

August 21, 1987

SUMMARY OF: A Special Report on the Department of Commerce and Economic Development, Alaska Public Utilities Commission, Professional Service Contracts, August 21, 1987.

PURPOSE OF THE REPORT

In accordance with a special request of the Legislative Budget and Audit Committee and Title 24 of the Alaska Statutes, this special report has been prepared to document our review of the professional service contracting policies and procedures at the Alaska Public Utilities Commission. Our review was conducted to determine whether contracts have been properly executed in accordance with State statutes.

AUDITOR'S CONCLUSION

In our opinion, the Alaska Public Utilities Commission (APUC) has complied with applicable State statutes and administrative policies and procedures for awarding professional service contracts.

During FY 86 and FY 87, APUC awarded a total of 18 professional service contracts. The contracts included expert witnesses or consultants to assist in analyzing data submitted by utilities, as well as hearing officers and court reporters.

In addition, of the 18 contracts, five were awarded sole source. In our opinion, APUC has complied with applicable State statutes for awarding sole source contracts.

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811-3300

November 4, 1986

SUMMARY OF: A Special Report on the Department of Natural Resources, Land Use Plans, October 27, 1986.

PURPOSE OF THE REPORT

In accordance with a Legislative Budget and Audit Committee request and the provisions of Title 24 of the Alaska Statutes, this special report was prepared to document our review of land use plans prepared by the Department of Natural Resources. Our review was conducted to determine the following:

1. The number of land use plans completed or underway.
2. The start and completion date for each plan.
3. The costs per plan.
4. The proposed plans including estimated start and completion dates, budgeted costs, and positions.

AUDITOR'S COMMENTS

The Department of Natural Resources has undertaken 28 land use plans since AS 38.04 was enacted in 1978. The Statewide plan was completed in 1983; however, because additional information is continually made available, the plan is being updated on an ongoing basis. In addition, 12 area plans and 15 management plans have been undertaken.

Cost information for individual plans is available only for area plans which are underway. Project accounting records for completed plans are not adequate to provide requested cost information by plan.

Audit Control Number
10-4263-87-S

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811-3300

April 9, 1987

SUMMARY OF: A Special Report on the Department of Natural Resources, Fire Suppression Fund, April 9, 1987.

PURPOSE OF THE REPORT

In accordance with a Legislative Budget and Audit Committee request and Title 24 of the Alaska Statutes, this report has been prepared to document our examination to determine if Fire Suppression Fund expenditures were:

1. in compliance with procedures set forth by the Office of Management and Budget;
2. used for capital projects;
3. used for fire suppression activities;
4. in compliance with State labor practices.

In addition, there were concerns that the Department was using money from the fund to hire emergency firefighters to do routine maintenance work, such as painting buildings, in addition to having them conduct fire suppression activities.

CONCLUSION

Fire Suppression Fund expenditures were:

1. in compliance with procedures set forth by the Office of Management and Budget;
2. not used for capital projects;
3. used for fire suppression activities;
4. charged to the fire recorded on the employees time sheets.

At this time there is a grievance filed by Public Employees Local 71 regarding the use of emergency firefighters for non-fire related activities such as painting buildings and reconstructing porches and decks.

The Attorney General has opined that, as a purely legal matter, general maintenance and painting activities by emergency firefighters while on standby status between fire-fighting incidents is a permissible expenditure of monies from the Fire Suppression Fund.

The Union, following contract grievance procedures, has requested arbitration regarding the issue. Since the emergency firefighters do not belong to the Union, the State has maintained that the Union contract procedures do not apply. Instead, the State maintains that the matter must be resolved by the Labor Relations Agency. The State is willing to take the issue to the Labor Relations Agency if the Union requests.

The Union's concern is that in the Fairbanks area emergency firefighters and other employees are being assigned to perform tasks which should be performed by Union members. We found no evidence of complaints about the use of firefighters in other areas.

The Office of the Ombudsman in Fairbanks is also pursuing a complaint regarding the use of emergency firefighters.

At this time we plan to present the Fire Suppression Fund financial statements in our audit report on the Special Revenue Funds for FY 86.

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811

June 3, 1987

SUMMARY OF: Department of Natural Resources, Division of Management, Division of Land and Water Management, Operating and Contractual Procedures, June 3, 1987.

PURPOSE OF THE REPORT

In accordance with a Legislative Budget and Audit Committee request and the provisions of Title 24 of the Alaska Statutes, we reviewed operating and contractual procedures within the Division of Management and the Division of Land and Water Management of the Department of Natural Resources (DNR). Specific concerns included:

1. Various aspects of the Revenue and Billing contract between DNR and Setpoint Alaska, Inc. including solicitation of the five phases, funding, contract content, and current project status.
2. Management's financial reporting accuracy at year end to other divisions.
3. Management's compliance with Federal Regulation Z (Truth in Lending laws regarding interest rate disclosure) and whether DNR's finance charges are usurious with respect to land sale contracts.
4. Identification of expenditures over budget, source of revenues to cover over-expenditures, and propriety of transfers from other DNR divisions to Division of Management to cover shortfalls. This issue will be included in our FY 86 departmental audit.

FINDINGS AND RECOMMENDATIONS

1. The Department of Natural Resources, Division of Management should establish program structures and allocate authorizations to the program level on a more timely basis.

The Division of Management was slow to establish lower level program structures. Allocation of FY 86 authorizations were not made until January 27 - January 31, 1986.

Staff adjustment to the new State accounting system, which began full operation on July 1, 1985 caused some problems.

2. The Division of Land and Water Management should revise land sales contracts to meet the requirements of Regulation Z.

DNR is not: (1) disclosing the "amount financed" in accordance with section 226.18(b), (2) disclosing the "total of payments" in accordance with section 226.18(h), or (3) refunding over-payment of contract pay-offs to the extent required in section 226.21.

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811

December 22, 1986

SUMMARY OF: A Special Report on the Department of Public Safety, Village Public Safety Officer Program, For the Fiscal Years Ended June 30, 1985 and 1986.

PURPOSE OF THE REPORT

In accordance with a special request of the Legislative Budget and Audit Committee and Title 24 of the Alaska Statutes, we conducted an examination of the Department of Public Safety, Village Public Safety Officer program to determine:

1. If the financial statements appearing in the State's Annual Financial Reports for the fiscal years ended June 30, 1985 and 1986, are fairly presented.
2. The probable advantages and disadvantages of various alternatives to this program.

FINANCIAL STATEMENTS

The Department of Public Safety does not adequately segregate the cost specific to the Village Public Safety Officer program. Accordingly, we do not express an opinion on the Statements of Expenditures and Encumbrances Compared with Appropriations.

FINDINGS AND RECOMMENDATIONS

1. The Department of Public Safety should improve the accounting practices of the Village Public Safety Officer (VPSO) program.
2. The VPSO administration contracts and related procedures should be revised to achieve a more efficient program.

AUDITOR'S COMMENTS

We considered whether there are viable alternatives to the current program or in the overall approach taken in its administration. The following alternatives are addressed and their strengths and weaknesses relative to apparent program objectives are outlined.

1. The necessary public protection and service could be provided by employees of the State.
 - A. State Troopers - Alaska State Troopers could be stationed in the "VPSO" villages.
 - B. State employed VPSOs - The State could hire village residents to be trained and to perform in a manner similar to the current program.
 - C. Eliminate the VPSO program - Enforcement presence would be reduced; Troopers would provide the required protection from regional stations on an as-needed basis.
2. The State could negotiate contracts to have others provide the necessary public protection and services.
 - A. Multi-VPSO contracts - Negotiate multi-VPSO contracts on a regional or statewide basis.
 - B. Village contracts - Contract directly with the villages designated to receive VPSOs.

The stationing of Troopers in VPSO villages would not be as cost effective as the contract alternatives. Also, a State employed VPSO program would cost about the same as these alternatives; yet, it would not achieve some of their benefits. Among the remaining three, there can be no clearly preferable alternative until there is a weighing of the relative value of the strengths and weaknesses of each.

A determination must also be made as to the level of government service, and specifically in this case, the level of public safety that the populace desires to purchase. For example, in the range of remaining alternatives, the least expensive and lowest service level would be achieved by eliminating the VPSO program, while the alternative of direct village contracting would, in the long run, probably provide the greatest public safety, promote local involvement, and provide certain other benefits, but at a higher cost.

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811

May 15, 1987

SUMMARY OF: A Special Report on the Department of Public Safety, Civil Air Patrol, May 13, 1987.

PURPOSE OF THE REPORT

In accordance with a Legislative Budget and Audit Committee request and Title 24 of the Alaska Statutes, this special report has been prepared to review State funds provided to the Civil Air Patrol in order to determine how these funds have been allocated to various regions of the State and whether their expenditure has been solely for public purposes. In addition, audit work was done to ascertain the current status of a \$1,100,000 appropriation for the acquisition of a hangar for the Civil Air Patrol.

REPORT CONCLUSION

We found no evidence that State money has been disbursed for purposes other than the operations of the Civil Air Patrol (CAP). Given that CAP's operations are a public purpose, we conclude that State funds received by CAP are being used solely for public purposes.

The hangar acquisition was closed following a bid process during FY 86 which yielded no responsive bids, but the project has recently been reactivated. The Department of Public Safety has executed a Reimbursable Services Agreement with the Division of General Services and Supply to acquire a hangar. CAP has located a hangar which meets their needs on Lake Hood and has requested a waiver of the competitive bid process. The Department of Public Safety is reluctant to formally request such a waiver without knowledge of the hangar market. The Division of General Services and Supply is currently evaluating CAP's criteria and the supply of hangars in the Anchorage area.

FINDINGS AND RECOMMENDATIONS

1. The Department of Public Safety should work with the Civil Air Patrol to produce a contract which satisfies both entities. Once signed, the contract and any amendments should govern the relationship between the department and the organization.
2. The Department of Public Safety should require interim reporting of all Civil Air Patrol financial activity.

Audit Control Number
12-4291-87-S

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811

June 2, 1987

SUMMARY OF: A Report on the Department of Environmental Conservation, For the Fiscal Year Ended June 30, 1986.

PURPOSE OF THE REPORT

In accordance with the provisions of Title 24 of the Alaska Statutes, we conducted an examination of the Department of Environmental Conservation to determine if the Department has complied with applicable State statutes and regulations governing fiscal activities, and if the financial information is fairly presented.

FINANCIAL STATEMENTS

Based on our audit tests, except for those matters identified in the Findings and Recommendations sections, we found the Department of Environmental Conservation has materially complied with applicable State statutes and regulations in carrying out their fiscal activities. In addition, the appropriations, expenditures, encumbrances, and ending balances for the Department of Environmental Conservation for the fiscal year ended June 30, 1986 are fairly presented.

FEDERAL COMPLIANCE

We also reviewed the Department's compliance with certain provisions of Federal laws and regulations, as embodied in U.S. Office of Management and Budget Circular A-128. This portion of our review is detailed in Section 3 of this report and related findings are discussed in Recommendations 2 and 3.

FINDINGS AND RECOMMENDATIONS

1. The Department of Environmental Conservation (DEC) should calculate and monitor its fiscal year-end accounts receivable.
2. DEC should bill against the Federal Letter of Credit on a consistent and timely basis and the billings should be supported by hard copy accounting records.
3. DEC should submit required Federal reports on time.

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811

March 17, 1987

SUMMARY OF: A Special Report on the Department of
Corrections, Alaska Correctional Industries,
March 17, 1987.

PURPOSE OF THE REPORT

In accordance with a Legislative Budget and Audit Committee request and Title 24 of the Alaska Statutes, this special report has been prepared to document our review of the Alaska Correctional Industries program. Our review was conducted to determine if the program should be allowed to terminate on July 1, 1987, as provided by the enabling legislation.

OVERVIEW OF ALASKA CORRECTIONAL INDUSTRIES

Alaska Correctional Industries (ACI) was established to develop and operate agricultural, industrial, and service enterprises to provide realistic work experience for prisoners, to direct their efforts toward financial responsibility, to improve their effective work habits and occupational skills, and to increase the probability of opportunities for employment after release. The program currently employs 86 inmates with metal and furniture shops in Kenai, agriculture and auto body businesses in Palmer, and laundry and bakery operations in Juneau.

AUDITOR'S CONCLUSIONS

In our opinion, the Alaska Correctional Industries program generally provides realistic work experience and this experience is more realistic than that available through the institutional jobs. We further believe the work experience provided by ACI will improve the likelihood of successful employment after the inmate is released.

We recommend that the ACI program be extended. However, we suggest the extension be for a definite period (perhaps four years). This would allow the Legislature an opportunity to further review the progress of the program and require ACI to demonstrate their success with the program.

FINDINGS AND RECOMMENDATIONS

1. ACI should develop and utilize program cost guidelines for analyzing all existing and proposed industries.

The decision to continue or develop an industry within ACI should be based, in part, upon its financial viability. At present, ACI does not explicitly consider the full cost of an industry in its decision process. Financial statements, by industry, are prepared each month; however, these statements exclude the costs associated with the program's production managers and administrative personnel and the costs of the program's property, plant, and equipment. We estimate the net cost (revenue less expenses) in FY 86 to have been \$600,000, or approximately \$45 per inmate employee per day. The calculated or forecast net cost per day should be compared to a guideline cost established by the Correctional Industries Commission. This guideline should be equal to, or slightly above if justified, the incremental cost to the institution of providing alternative workweek daytime activities for the inmates. ACI should not enter into or continue industries which are not likely to approach this guideline.

2. The Correctional Industries Fund (CIF) financial statements should be presented in the State's Annual Financial Report in accordance with generally accepted accounting principles (GAAP).

CIF is an intragovernmental service fund and should be accounted for on an accrual basis. GAAP requires all the activities and the resources used by ACI to be reflected in their financial statements. The most significant items to be included are property, plant, and equipment and the related depreciation, implicit lease expense, inventory, and accounts receivable.

Alaska Statute 33.32.020 should be modified to require CIF to account for the entire industries program, including approximately \$500,000 of annual personnel costs presently excluded from CIF by statute.

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811-3300

March 4, 1987

SUMMARY OF: A Special Report on the Department of Community and Regional Affairs, American Improvement Matrix, Inc., Grants 85-0194 and LG 2160012, March 4, 1987.

PURPOSE OF THE REPORT

In accordance with a Legislative Budget and Audit Committee request and Title 24 of the Alaska Statutes, this special report has been prepared to document our review of the American Improvement Matrix, Inc.'s 1985 and 1986 legislative grants.

AUDITOR'S COMMENTS

In our opinion, the American Improvement Matrix, Inc. has complied with the terms and conditions of the FY 85 and FY 86 grant agreements.

FINDINGS AND RECOMMENDATION

1. The Legislature, in conjunction with the Department of Community and Regional Affairs (DCRA), should consider the necessity for continued funding for the American Improvement Matrix, Inc. (AIM).

In our opinion, it does not appear that the AIM grant is a cost efficient use of State General Fund monies. During FY 85 and FY 86, AIM placed youths at an average cost to the State of \$1,100 and \$1,129, respectively.

Considering the average placement cost, the average number of weeks employed and assuming a 40 hour work week, we calculate an average placement cost to the State of \$4.28 per hour worked.

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811

July 14, 1987

SUMMARY OF: A Report on the Department of Transportation
and Public Facilities, For the Fiscal Year
Ended June 30, 1986.

PURPOSE OF THE REPORT

In accordance with the provisions of Title 24 of the Alaska Statutes, we conducted an examination of the Department of Transportation and Public Facilities to determine if the Department has complied with applicable State statutes and regulations governing fiscal activities, and if the financial information is fairly presented.

FINANCIAL STATEMENTS

Based on our audit tests, because of the matters identified in the Findings and Recommendations sections, we found the Department of Transportation and Public Facilities has not materially complied with applicable State statutes and regulations in carrying out their fiscal activities. In addition, the revenues earned, appropriations, expenditures, encumbrances, and ending balances for the Department of Transportation and Public Facilities for the fiscal year ended June 30, 1986 are not fairly presented.

FEDERAL COMPLIANCE

We also reviewed the Department's compliance with certain provisions of Federal laws and regulations, as embodied in U.S. Office of Management and Budget Circular A-128. This portion of our review is detailed in Section 3 of this report, and related findings are discussed in Recommendations 10, 11, and 12 and in the Schedule of Noncompliance and Questioned Costs.

FINDINGS AND RECOMMENDATIONS

1. The Department of Transportation and Public Facilities (DOTPF) needs substantial improvement in the collecting and recording of revenues.

2. The Department needs to improve their input, processing, and output controls for the Financial Management System (FMS) to include control totals and reconciliation procedures.
3. DOTPF should clear their suspense accounts by the end of the fiscal year.
4. DOTPF must strengthen controls over authorization transactions to ensure that transfers between appropriations are detected.
5. DOTPF should make the necessary entries to correct inaccurate historical project costs transferred into AKSAS.
6. DOTPF should take corrective action, including requesting a supplemental appropriation, if necessary, for overspent and overobligated capital appropriations.
7. DOTPF, Alaska Marine Highway System (AMHS), needs to improve their accounting for revenues.
8. The Department should improve their payroll accounting system.
9. DOTPF should identify and correct May 1985 and any additional timesheets which resulted in duplicate charges in FMS and AKSAS, and adjust all Federal project billings accordingly.
10. The Department should seek Federal Highway Administration (FHWA) and Federal Aviation Administration (FAA) approval for eliminating the duplicative efforts of DOTPF personnel regarding the requirement of testing certified payrolls submitted by the construction contractor.
11. The Department should seek clarification from FHWA regarding allowability of rates charged to Federally funded projects for State Equipment Fleet (SEF) equipment rentals.
12. DOTPF needs to improve procedures for purchasing equipment with Federal funds.

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811

July 8, 1987

SUMMARY OF: A Report on the Department of Transportation and Public Facilities, Highway Equipment Working Capital Fund, For the Fiscal Year Ended June 30, 1986.

PURPOSE OF THE REPORT

In accordance with the provisions of Title 24 of the Alaska Statutes, an examination of the Department of Transportation and Public Facilities, Highway Equipment Working Capital Fund was conducted to:

1. Determine if the financial statements appearing in the State's Annual Financial Report for the 1986 Fiscal Year are fairly presented.
2. Determine the compliance by the Department of Transportation and Public Facilities with the applicable State statutes and regulations governing fiscal activities of the Fund.

FINANCIAL STATEMENTS

In our opinion, the financial statements referred to above do not present fairly, in conformity with generally accepted accounting principles, the financial position of the Department of Transportation and Public Facilities, Highway Equipment Working Capital Fund as of June 30, 1986, or the results of its operations and changes in financial position for the year then ended.

FINDINGS AND RECOMMENDATIONS

1. The Department of Transportation and Public Facilities (DOTPF) should write off \$31.5 million Highway Equipment Working Capital Fund (HEWCF) capital authorizations.
2. DOTPF needs substantial improvement in the billing, collecting, and recording of HEWCF revenues.

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811

April 22, 1987

SUMMARY OF: A Special Report on the Department of Transportation and Public Facilities, Fairbanks International Airport, April 22, 1987.

PURPOSE OF THE REPORT

In accordance with a special request of the Legislative Budget and Audit Committee and Title 24 of the Alaska Statutes, this special report has been prepared to document our review of current leasing policies and practices at the Fairbanks International Airport and to provide information on the types of revenues generated and expenses incurred.

AUDITOR'S COMMENTS

The facilities at the Fairbanks International Airport (FIA) include a 132,000 square foot terminal building, parking for 735 vehicles, a single air carrier runway, aircraft maintenance hangars, utility buildings, and general aviator runways and tie-downs.

The terminal houses airline offices, concessions, rental car agencies, as well as State and Federal offices. Of the 78,874 square feet of assignable space, 62,615 (79%) is currently occupied or leased. Aviation use occupies 40,505 square feet while auxiliary uses occupy 22,110 square feet. There is 16,259 (21%) square feet that is unoccupied.

During FY 86, FIA generated \$3,761,234 in revenues while incurring total expenses of \$10,276,269. Our report describes the types of revenues generated and also discusses the current economic conditions at the airport. The recent history of the Fairbanks International Airport has shown that this facility will not be able to become self-supporting in the foreseeable future. The economic conditions under which FIA operates preclude this from happening.

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STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811

May 8, 1987

SUMMARY OF: A Special Report on the Department of
Transportation and Public Facilities,
Department of Corrections, Spring Creek
Correctional Center, May 8, 1987.

PURPOSE OF THE REPORT

In accordance with a Legislative Budget and Audit Committee request and Title 24 of the Alaska Statutes, this special report has been prepared to document the administration of funds for the Spring Creek Correctional Center.

AUDITOR'S CONCLUSION

In our opinion, construction on the Spring Creek Correctional Center through March 31, 1987 has been reasonably managed to ensure that total costs remain within project budgets. Although the project has incurred additional expenses on the general construction contract, these costs have been absorbed by established contingency reserves for such possible occurrences. The majority of the additional costs have been due primarily to unanticipated conditions and necessary changes to the project design revealed during construction.

Spring Creek Correctional Center, located on Resurrection Bay approximately 7.5 miles from the City of Seward, is being constructed as a maximum security prison. Once completed, the prison will provide for the confinement of 320 inmates with two 128-unit cell buildings and one 64-unit cell building, administrative and support buildings, security systems and fencing, water well, water treatment plant, sewage treatment plant, and associated facilities and improvements to serve the inmate population.

Audit Control Number
25-4289-87-S

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State of Alaska
Legislative Budget and Audit Committee
FINANCIAL STATEMENTS
June 30, 1987
With Accountants' Report Thereon

State of Alaska
Legislative Budget and Audit Committee
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June 30, 1987

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FUNK, BAXTER & COMPANY

A PROFESSIONAL CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

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FRANK SEXSMITH DAXTER, C.P.A.

CATHERINE R. BARRETT, C.P.A.

SHERRY L. YOUNG, C.P.A.

October 28, 1987

Members of the Legislative Budget
and Audit Committee
P.O. Box W
Alaska State Office Building
Juneau, Alaska 99811

Dear Members:

We have examined the financial statements of the Legislative Budget and Audit Committee for the year ended June 30, 1987, as listed in the Index. Our examination was made in accordance with generally accepted auditing standards, and included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the allocations, expenditures, encumbrances and balances of the Legislative Budget and Audit Committee for the year then ended, in conformity with generally accepted governmental accounting practices and the applicable laws of the State of Alaska.

Funk, Baxter & Company

State of Alaska
Legislative Budget and Audit Committee
COMBINED STATEMENT OF EXPENDITURES AND
ENCUMBRANCES COMPARED WITH APPROPRIATIONS
For the Fiscal Year Ended June 30, 1987

	1986 - 1987 Budget Act Appropriations/ Allocations	Continuations, Supplementals and Revisions	Total Appropriations/ Allocations
ALLOCATION BY APPROPRIATION			
Legislative Budget & Audit Committee			
Operating Appropriations -			
Committee	\$ 322,000	\$ -	\$ 322,000
Audit Division	2,393,600	-	2,393,600
Finance Division	<u>3,687,700</u>	<u>250,210</u>	<u>3,937,910</u>
Total operating appropriations	\$6,403,300	\$250,210	\$6,653,510
House Finance Committee			
Education Study -			
Finance Division	36,000	-	36,000
Senate Finance Committee			
Special Projects Appropriation -			
Finance Division	<u>-</u>	<u>25,538</u>	<u>25,538</u>
Total appropriations	<u>\$6,439,300</u>	<u>\$275,748</u>	<u>\$6,715,048</u>
ALLOCATION BY OBJECT			
Personal services	\$4,765,000	\$137,888	\$4,902,888
Travel and per diem	155,400	74,321	229,721
Contractual services	886,600	643,916	1,530,516
Commodities	27,400	9,523	36,923
Equipment	18,000	(3,000)	15,000
Other services	<u>586,900</u>	<u>(586,900)</u>	<u>-</u>
Total appropriations	<u>\$6,439,300</u>	<u>\$275,748</u>	<u>\$6,715,048</u>

<u>Expenditures</u>	<u>Encumbrances</u>	<u>Total Expenditures and Encumbrances</u>	<u>Lapsed Unencumbered Balances</u>	<u>Continuing Balances</u>
\$ 212,616	\$ 9,993	\$ 222,609	\$ -	\$ 99,391
1,828,748	69,179	1,897,927	495,673	-
<u>3,021,859</u>	<u>81,396</u>	<u>3,103,255</u>	<u>-</u>	<u>834,655</u>
\$5,063,223	\$160,568	\$5,223,791	\$495,673	\$934,046
4,400	24,044	28,444	-	7,556
<u>25,487</u>	<u>-</u>	<u>25,487</u>	<u>51</u>	<u>-</u>
<u>\$5,093,110</u>	<u>\$184,612</u>	<u>\$5,277,722</u>	<u>\$495,724</u>	<u>\$941,602</u>
\$4,386,532	\$ 35,398	\$4,421,930	\$286,265	\$194,693
206,024	647	206,671	8,127	14,923
453,279	103,441	556,720	213,485	760,311
27,441	2,764	30,205	709	6,009
19,834	42,362	62,196	(12,862)	(34,334)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$5,093,110</u>	<u>\$184,612</u>	<u>\$5,277,722</u>	<u>\$495,724</u>	<u>\$941,602</u>

The accompanying notes are an integral part of the financial statements.

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State of Alaska

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Legislative Budget and Audit Committee

Committee

SCHEDULE OF EXPENDITURES AND ENCUMBRANCES
COMPARED TO APPROPRIATIONS BY OBJECT

For the Fiscal Year Ended June 30, 1987

	Final Authori- zation	Expendi- tures	Encum- brances	Total Expendi- tures & Encum- brances	Lapsed Unen- cumbered Balance	Con- tinuing Balance
Personal services	\$190,000	\$150,733	\$ -	\$150,733	\$ -	\$39,267
Travel & per diem	12,000	21,134	-	21,134	-	(9,134)
Contractual services	110,000	36,508	9,993	46,501	-	63,499
Commodities	5,000	999	-	999	-	4,001
Equipment	5,000	3,242	-	3,242	-	1,758
Other services	-	-	-	-	-	-
Total	<u>\$322,000</u>	<u>\$212,616</u>	<u>\$9,993</u>	<u>\$222,609</u>	<u>\$ -</u>	<u>\$99,391</u>

The accompanying notes are an integral part of the financial statements.

Legislative Budget and Audit Committee

Legislative Audit

SCHEDULE OF EXPENDITURES AND ENCUMBRANCES
COMPARED TO APPROPRIATIONS BY OBJECT

For the Fiscal Year Ended June 30, 1987

	<u>Final</u> <u>Authori-</u> <u>zation</u>	<u>Expendi-</u> <u>tures</u>	<u>Encum-</u> <u>brances</u>	<u>Total</u> <u>Expendi-</u> <u>tures &</u> <u>Encum-</u> <u>brances</u>	<u>Lapsed</u> <u>Unencum-</u> <u>bered</u> <u>Balance</u>	<u>Con-</u> <u>tinuing</u> <u>Balance</u>
Personal services	\$2,100,000	\$1,748,337	\$35,398	\$1,783,735	\$316,265	\$ -
Travel & per diem	60,000	26,047	-	26,047	33,953	-
Contractual services	213,600	45,848	10,144	55,992	157,608	-
Commodities	10,000	8,475	816	9,291	709	-
Equipment	<u>10,000</u>	<u>41</u>	<u>22,821</u>	<u>22,862</u>	<u>(12,862)</u>	<u>-</u>
Total	<u>\$2,393,600</u>	<u>\$1,828,748</u>	<u>\$69,179</u>	<u>\$1,897,927</u>	<u>\$495,673</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

Legislative Budget and Audit Committee

Legislative Budget and Audit Appropriation
Legislative Finance AllocationsSCHEDULE OF EXPENDITURES AND ENCUMBRANCES
COMPARED WITH AUTHORIZATIONS BY SUBALLOCATION

For the Fiscal Year Ended June 30, 1987

	<u>Final Authori- zation</u>	<u>Expendi- tures</u>	<u>Encum- brances</u>	<u>Total Expendi- tures & Encum- brances</u>	<u>Lapsed Unencum- bered Balance</u>	<u>Con- tinuing Balance</u>
Administration	\$1,133,300	\$ 903,059	\$ 8,736	\$ 911,795	\$ -	\$221,505
Senate Finance	1,655,510	1,060,475	44,828	1,105,303	-	550,207
House Finance	1,037,700	966,166	22,132	988,298	-	49,402
Senate Finance Study	<u>111,400</u>	<u>92,159</u>	<u>5,700</u>	<u>97,859</u>	<u>-</u>	<u>13,541</u>
Total	<u>\$3,937,910</u>	<u>\$3,021,859</u>	<u>\$81,396</u>	<u>\$3,103,255</u>	<u>\$ -</u>	<u>\$834,655</u>

The accompanying notes are an integral part of the financial statements.

Legislative Budget and Audit Committee

Legislative Finance

SCHEDULE OF EXPENDITURES AND ENCUMBRANCES
COMPARED WITH APPROPRIATIONS BY OBJECT

For the Fiscal Year Ended June 30, 1987

	Final Authori- zation	Expendi- tures	Encum- brances	Total Expendi- tures & Encum- brances	Lapsed Unencum- bered Balance	Con- tinuing Balance
Personal services	\$2,617,401	\$2,461,975	\$ -	\$2,461,975	\$ -	\$155,426
Travel & per diem	183,547	157,052	647	157,699	-	25,848
Contractual services	1,115,039	368,314	59,260	427,574	-	687,465
Commodities	21,923	17,967	1,948	19,915	-	2,008
Equipment	-	16,551	19,541	36,092	-	(36,092)
Total	<u>\$3,937,910</u>	<u>\$3,021,859</u>	<u>\$81,396</u>	<u>\$3,103,255</u>	<u>\$ -</u>	<u>\$834,655</u>

The accompanying notes are an integral part of the financial statements.

State of Alaska
Legislative Budget and Audit Committee
Legislative Finance
House Finance Committee Education Study
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES
COMPARED WITH APPROPRIATIONS BY OBJECT
For the Fiscal Year Ended June 30, 1987

	<u>Final Authori- zation</u>	<u>Expendi- tures</u>	<u>Encum- brances</u>	<u>Total Expendi- tures & Encum- brances</u>	<u>Lapsed Unencum- bered Balance</u>	<u>Con- tinuing Balance</u>
Personal services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Travel & per diem	-	1,791	-	1,791	-	(1,791)
Contractual services	36,000	2,609	24,044	26,653	-	9,347
Commodities	-	-	-	-	-	-
Equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$36,000</u>	<u>\$4,400</u>	<u>\$24,044</u>	<u>\$28,444</u>	<u>\$ -</u>	<u>\$ 7,556</u>

The accompanying notes are an integral part of the financial statements.

Legislative Budget and Audit Committee

Legislative Finance
Senate Finance Committee Special ProjectsSCHEDULE OF EXPENDITURES AND ENCUMBRANCES
COMPARED WITH APPROPRIATIONS BY OBJECT

For the Fiscal Year Ended June 30, 1987

	<u>Final</u> <u>Authori-</u> <u>zation</u>	<u>Expendi-</u> <u>tures</u>	<u>Encum-</u> <u>brances</u>	<u>Total</u> <u>Expendi-</u> <u>tures &</u> <u>Encum-</u> <u>brances</u>	<u>Lapsed</u> <u>Unencum-</u> <u>bered</u> <u>Balance</u>	<u>Con-</u> <u>tinuing</u> <u>Balance</u>
Personal services	\$ (4,513)	\$25,487	\$ -	\$25,487	\$(30,000)	\$ -
Travel & per diem	(25,826)	-	-	-	(25,826)	-
Contractual services	55,877	-	-	-	55,877	-
Commodities	-	-	-	-	-	-
Equipment	-	-	-	-	-	-
Total	<u>\$ 25,538</u>	<u>\$25,487</u>	<u>\$ -</u>	<u>\$25,487</u>	<u>\$ 51</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

State of Alaska

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Legislative Budget and Audit Committee

STATEMENT OF REVENUE

For the Fiscal Year Ended June 30, 1987

	<u>Actual</u>	Over (Under) <u>Budget</u>
Unrestricted revenues	\$ <u>-</u>	\$ <u>-</u>
Restricted Revenues		
Interagency Revenues		
Office of the Governor	\$12,502	\$12,502
Total Legislative Budget and Audit Committee	\$12,502	\$12,502

The accompanying notes are an integral part of the financial statements.

Legislative Budget and Audit Committee

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 1987

General

Alaska Statutes Section 24.20.151 establishes the Legislative Budget and Audit Committee as a permanent interim committee of the legislature. The Legislative Finance Division of the Budget and Audit Committee is established as a permanent staff agency responsible for performance of fiscal analysis and budget review functions. The Legislative Audit Division is established as a permanent staff agency responsible for completion of the post-audit function.

Members of the Legislative Budget and Audit Committee for FY 1987 were as follows:

July 1, 1986 - January 18, 1987

Senator Jalmar M. Kerttula, Chairman
Senator Mitchell Abood
Senator Paul Fischer
Senator John C. Sackett
Senator Joe Josephson
Senator Rick Halford (alternate)

Representative Sam Cotten, Vice-Chairman
Representative Albert P. Adams
Representative Jim Duncan
Representative Ronald L. Larson
Representative Terry Martin
Representative Kay Wallis (alternate)

January 21, 1987 - June 30, 1987

Representative Ronald L. Larson, Chairman
Representative Albert P. Adams
Representative Pat Pourchot
Representative Lyman Hoffman
Representative Jim Zawacki
Representative Mike Davis (alternate)

Senator Rick Halford, Vice-Chairman
Senator John Binkley
Senator Paul Fischer
Senator Lloyd Jones
Senator Jim Duncan

Legislative Budget and Audit Committee

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 1987

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant policies of the State of Alaska applicable to the Legislative Budget and Audit Committee.

- A. Fund Accounting. The State of Alaska maintains its accounting in accordance with the principles of fund accounting. A fund is a fiscal and accounting entity established by law to segregate and account for designated resources and activities. Legislative Budget and Audit Committee activities are in the general fund.
- B. Basis of Accounting. The financial statements for the general fund are reported on the modified accrual basis of accounting. Modifications to the accrual basis are as follows:
1. Revenues susceptible to accrual (reimbursable items) are reported on accrual basis. Revenues not susceptible to accrual are reported on cash basis.
 2. Expenditures are generally recognized on accrual basis. The following exceptions are considered expenditures when paid:
 - a. Inventories of materials and supplies,
 - b. prepaid insurance and similar items,
 - c. accumulated unpaid annual and sick leave.
- C. Budgetary Control. All money received is deposited in the State Treasury and may not be expended without appropriation. An appropriation is an authorization to spend money and incur obligations. It is a legal limit as to purpose, time and amount. Appropriations are enacted by the Legislature and approved by the Governor. Expenditures are reported at the appropriation level to show compliance with the law.
- D. Encumbrances. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed in the general fund. Encumbrances outstanding at year end are reported as reservations of fund balances since they are neither expenditures nor liabilities.

Legislative Budget and Audit Committee

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 1987

- E. Fixed Assets. Purchases of fixed assets by the general fund are charged as expenditures. These assets are recorded for stewardship purposes in the general fixed assets account group and are not depreciated. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.
- F. Interagency Revenues. Intrafund reimbursements for services provided to other agencies are reported as interagency revenues rather than as reductions in expenditures.

NOTE 2 - RECONCILIATION OF THE LEGAL BASIS AND GAAP BASIS

The appropriations for the Legislative Budget and Audit Committee are adopted on a basis consistent with generally accepted accounting principles (GAAP), except encumbrances are recognized in the year the obligation is made.

The following summary reconciles operations for the year from the budgetary basis to the GAAP basis.

Revenues

Revenues on budgetary basis	\$ 12,502
Interagency revenues	<u>(12,502)</u>

Revenues on GAAP basis

\$ -

Expenditures

Expenditures on budgetary basis	\$5,093,110
Current year expenditures related to prior year encumbrances	99,666
Prior year recoveries	<u>(12,502)</u>

Expenditures on GAAP basis

\$ 5,180,274