

STATE OF ALASKA
LEGISLATIVE BUDGET AND AUDIT COMMITTEE
ANNUAL REPORT
2025

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

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Vice Chair	Representative Zack Fields	District 17
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LEGISLATIVE AUDITOR
Kris Curtis, CPA, CISA

LEGISLATIVE FISCAL ANALYST
Alexei Painter

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ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

CHAIR:

Sen. Elvi Gray-Jackson

VICE CHAIR:

Rep. Zack Fields

SENATE MEMBERS:

Sen. Bert Stedman
Sen. Lyman Hoffman
Sen. Bill Wielechowski
Sen. Cathy Giessel
Sen. Scott Kawasaki – alt

HOUSE MEMBERS:

Rep. Neal Foster
Rep. Andy Josephson
Rep. Chuck Kopp
Rep. Cathy Tilton
Rep. Bryce Edgmon – alt

COMMITTEE**CONTACT:**

State Capitol
Room 30
Juneau, Alaska 99801-
1182
(907) 465-4930

COMMITTEE AIDE:

Jeff Stepp
(907) 465-3721

January 20, 2026

Members of the Legislature

Fellow Members:

In accordance with AS 24.20.311, we are transmitting the 2025 annual report of the Legislative Budget and Audit Committee. This report summarizes the audit reports issued during the year.

Copies of each audit report released during 2025 are on file in the senate and house chambers, the Division of Legislative Audit, various libraries throughout the state, and at <http://legaudit.akleg.gov>. We encourage all legislators to utilize this valuable information.

The Legislative Budget and Audit Committee wishes to thank the legislature for its support in 2025.

Respectfully submitted,

Legislative Budget and Audit Committee

A handwritten signature in blue ink that reads "Elvi Gray-Jackson".

Senator Elvi Gray-Jackson, Chair

A handwritten signature in blue ink that reads "Zack Fields".

Representative Zack Fields, Vice Chair

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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 10 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. Alternate members are also appointed from the finance committees.

The committee has the responsibility for providing the legislature with fiscal analysis, budget reviews, audits of state government agencies, and for approving requests from the governor to revise the Appropriations Act. As a result of the passage of Ch. 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 Division of Legislative Finance and the Division of Legislative Audit. These divisions report directly to the Legislative Budget and Audit Committee and are independent of executive and judicial agencies. The committee also has several authorized positions to assist with committee activities.

Division of Legislative Finance

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 following statutorily assigned responsibilities 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.

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2. Analyze the revenue requirements of the State.
 3. Provide the legislative finance committees with comprehensive budget review and fiscal analysis services.
 4. Cooperate with the Office of Management and Budget 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.
 6. With the governor's permission, designate the legislative fiscal analyst to serve ex officio on the governor's budget review committee.
 7. Not later than the first legislative day of each first regular session of each legislature, conduct a review in accordance with AS 24.20.235 of the report provided to the division under AS 43.05.095.
 8. Conduct a review of inactive state accounts and funds, make recommendations regarding which inactive state accounts and funds, if any, should be repealed, and submit an electronic report of the division's recommendations to the governor, the president of the senate, the speaker of the house of representatives, the chair of the finance committee of each house of the legislature, the senate secretary, and the chief clerk of the house of representatives, and notify the legislature that the report is available.

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), fiscal analysts, information technology staff, and an administrative officer. Division staff also includes the finance committee secretaries and, for budgetary purposes, the finance aides assigned to committee members.

Division of Legislative Audit

The Legislative Auditor, authorized under Article IX, Section 14 of the Alaska Constitution, leads the independent audit function for the State of Alaska. This role is carried out in accordance with Title 24 of the Alaska Statutes.

Established under the Fiscal Procedures Act of 1955, the Division of Legislative Audit (DLA) operates as the State's independent audit agency. DLA performs external audits; that is, audits are performed by an auditor who is independent of the executive head of the government unit or agency being audited. Audits result in a published report that remains confidential until released to the public by the Legislative Budget and Audit Committee.

The division performs two primary types of audits: financial/federal compliance and performance audits, each governed by distinct standards.

Financial/Federal Compliance Audits

DLA conducts the annual financial audit of the State's Annual Comprehensive Financial Report and the State's single audit, which examines major federal programs per Title 2 of the U.S. Code of Federal Regulations, Part 200 (Uniform Guidance). These audits are conducted in accordance with U.S. Generally Accepted Auditing Standards and Government Auditing Standards issued by the comptroller general.

Performance Audits

Performance audits provide objective analysis, findings, and

conclusions to assist management and those charged with governance and oversight with, among other things, improving program performance and operations, reducing costs, facilitating decision-making by parties responsible for overseeing or initiating corrective action, and contributing to public accountability.

DLA conducts three types of performance audits:

1. Information Technology Audits
2. Sunset Audits, required by Alaska's 1977 "Sunset Law"
3. Audits initiated after approval by the Legislative Budget and Audit Committee

Performance audits adhere to Government Auditing Standards.

Peer Review

Auditing standards require DLA participate in a peer review process to assure compliance with auditing standards. DLA's peer reviews consistently receive the highest rating possible.

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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

SUMMARY OF: State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2024

PURPOSE OF THE REPORT

This report summarizes our review of the State of Alaska's basic financial statements and the State's compliance with federal laws and regulations in the administration of approximately \$5.5 billion of federal financial assistance programs. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. It also complies with the federal Single Audit Act Amendments of 1996 and the related United States Office of Management and Budget Uniform Guidance.

The report contains opinions on the basic financial statements of the State of Alaska for FY 24, findings and recommendations on financial and compliance matters, auditor's reports on internal controls and compliance, the Schedule of Expenditures of Federal Awards, and the Summary Schedule of Prior Audit Findings.

REPORT CONCLUSIONS

The audit includes unmodified financial statement opinions on all opinion units except for Governmental Activities and Governmental Fund – General Fund, which were qualified due to the following: the Department of Health did not obtain a System and Organization Controls 1 Type 2 report covering controls over financial reporting of Medicaid payments processed by service organizations for FY 24. As a result, we have insufficient evidence to determine if Medicaid related financial activity is properly reported in the basic financial statements. During FY 24, the Medicaid Management Information System processed approximately \$2.4 billion in General Fund expenditures and Governmental Activities expenses, resulting in approximately \$1.8 billion in General Fund federal grants-in-aid and Governmental Activities Operating Grants and Contributions revenue, \$221.8 million in General Fund accounts payable and accrued liabilities, and \$166.1 million in General Fund due from other governments.

The State has substantially complied with the applicable laws and regulations in the administration of its major federal financial assistance programs, except for the Pandemic

Electronic Benefit Transfer Food Benefits program, the Supplemental Nutrition Assistance program cluster, the Fish and Wildlife cluster, the Coronavirus State and Local Fiscal Recovery Funds, the Education Stabilization Fund, the Temporary Assistance for Needy Families program, the Children’s Health Insurance program, the Medicaid cluster, and the Disaster Grants – Public Assistance (Presidentially Declared Disasters) program.

The report does contain findings regarding material weaknesses and significant deficiencies in the State’s internal control over financial reporting and internal control over federal compliance.

FINDINGS AND RECOMMENDATIONS

This report contains 85 findings, of which 25 are unresolved issues from the prior year. Some of the recommendations made in this report require significant changes in procedures, additional resources, or a shifting of priorities and, therefore, may take more than one year to implement. The Summary Schedule of Prior Audit Findings in Section III identifies the current status of prior financial and federal program related audit findings not resolved as of June 30, 2024.

Report Highlights

Why DLA Performed This Audit

The audit was performed to determine if there is a continued need for the board and if its termination date should be extended. The board is set to sunset on June 30, 2026, and will have one year from that date to conclude its administrative operations.

What the Legislative Auditor Recommends

1. The Office of the Governor, Boards and Commissions director should work with the board to identify potential applicants to fill the public member board seats in a timely manner.
2. The board should ensure the renewal licensing application form is sufficient to monitor compliance with teletherapy-related continuing education requirements.

A Sunset Review of the Department of Commerce, Community, and Economic Development, Board of Marital and Family Therapy (board)

May 9, 2025

Audit Control Number 08-20143-25

REPORT CONCLUSIONS

The audit concluded that the board served the public's interest by conducting meetings in an effective manner, amending regulations as needed, and generally licensing marital and family therapists in compliance with state law. The audit also found that a public board member seat had been vacant for 32 months as of March 2025.

In accordance with AS 08.03.010(c)(11), the board is scheduled to terminate on June 30, 2026. We recommend the legislature extend the board's termination date eight years, to June 30, 2034.

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Report Highlights

Why DLA Performed This Audit

This audit was performed to determine if there is a continued need for the board and if its termination date should be extended. The board is set to sunset on June 30, 2026, and will have one year from that date to conclude its administrative operations.

What the Legislative Auditor Recommends

1. The Office of the Governor, Boards and Commissions director should take steps to ensure board seats are filled in a timely manner.
2. The Division of Administrative Services director should establish procedures to ensure fee requests are submitted timely for review and approval.

A Sunset Review of the Department of Commerce, Community, and Economic Development, Board of Professional Counselors (board)

April 16, 2025

Audit Control Number 08-20144-25

REPORT CONCLUSIONS

The board served the public's interest by generally conducting meetings in an effective manner, actively amending regulations, and effectively licensing professional counselors. The audit also concluded that one board position had been vacant for an extended period and license fees were not sufficient to cover the profession's regulatory cost.

In accordance with AS 08.03.010(c)(6), the board is scheduled to terminate on June 30, 2026. We recommend that the legislature extend the board's termination date six years to June 30, 2032, which is two years less than the maximum allowed by statute. The reduced extension reflects the need for more timely legislative oversight in light of the audit conclusions and recommendations.

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Report Highlights

Why DLA Performed This Audit

This audit was performed to determine if there is a continued need for the board and if its termination date should be extended. The board is set to sunset June 30, 2026, and will have one year from that date to conclude its administrative operations.

What the Legislative Auditor Recommends

1. The Office of the Governor, Boards and Commissions director should take steps to ensure board seats are filled in a timely manner.
2. The board chair and Division of Corporations, Business and Professional Licensing's director should work together to ensure renewal applicants comply with continuing education regulations or seek a change to regulations as deemed necessary.

A Sunset Review of the Department of Commerce, Community, and Economic Development, Board of Social Work Examiners (board)

April 17, 2025

Audit Control Number 08-20145-25

REPORT CONCLUSIONS

The board served the public's interest by generally conducting meetings in an effective manner and actively amending regulations. Licenses were found to be issued in compliance with state law except for licenses renewed through the online portal, which lacked adequate documentation. The audit also found one board position had been vacant for an extended period.

In accordance with AS 08.03.010(c)(21), the board is scheduled to terminate on June 30, 2026. We recommend that the legislature extend the board's termination date eight years to June 30, 2034.

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Report Highlights

Why DLA Performed This Audit

The audit was performed to determine if there is a continued need for the commission and if its termination date should be extended. The commission is set to sunset on June 30, 2026, and will have one year from that date to conclude its administrative operations.

What the Legislative Auditor Recommends

1. The Division of Corporations, Business and Professional Licensing (DCBPL) director should provide training and update written procedures to ensure minutes are prepared for all commission meetings as required by law.
2. The commission chair should ensure commission regulations and forms are updated to include independent contractors.
3. DCCED's commissioner should work with policy makers to improve the recruitment and retention of investigators, and DCBPL management should consider ways to assist the commission in clearing its investigative backlog.

A Sunset Review of the Department of Commerce, Community, and Economic Development (DCCED), Real Estate Commission (commission)

April 17, 2025

Audit Control Number 08-20146-25

REPORT CONCLUSIONS

The commission served the public's interest by effectively conducting its meetings, actively amending regulations, and effectively licensing real estate professionals.

The audit also found areas for improvement. The commission did not consistently keep minutes for subcommittee meetings and did not update its regulations and forms to include licensees who are independent contractors. Commission related investigations were not conducted in a timely manner, and the Real Estate Recovery Fund appeared to no longer be necessary. Further, the commission did not monitor compliance with insurance coverage requirements.

In accordance with AS 08.03.010(c)(19), the commission is scheduled to terminate on June 30, 2026. We recommend that the legislature extend the commission's termination date four years to June 30, 2030, which is half of the eight year maximum allowed by statute. The reduced extension reflects the need for more routine oversight to ensure timely corrective action.

Report Highlights (Continued)

4. The commission should consider seeking legislation to eliminate the Real Estate Recovery Fund.
5. The commission should require license renewal applicants to submit a certificate of errors and omissions insurance coverage, or seek a statutory change.

Report Highlights

Why this audit was performed

This audit was performed to determine if there is a continued need for the board and if its termination date should be extended. The board is set to sunset on June 30, 2026, and will have one year from that date to conclude its administrative operations.

What the Legislative Auditor Recommends

1. The Office of the Governor, Boards and Commissions director should work with the board to identify potential applicants to fill board vacancies and take steps to ensure qualified applicants are appointed in a timely manner.
2. The board chair and the Division of Corporations, Business and Professional Licensing's (DCBPL) director should work together to ensure renewal applicants comply with continuing education regulations or seek a regulatory change if deemed necessary.
3. Board members should review investigative cases in a timely manner.

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A Sunset Review of the Department of Commerce, Community, and Economic Development, Board of Psychologist and Psychological Associate Examiners (board)

June 5, 2025

Audit Control Number 08-20147-25

REPORT CONCLUSIONS

The audit concluded that the board served the public's interest by conducting meetings in an effective manner, actively amending regulations, and generally issuing new licenses in compliance with statutes and regulations.

The audit also found areas for improvement. Renewal licenses were not consistently issued in compliance with state law. Courtesy licensees did not routinely comply with monthly reporting requirements. Board related investigations were not conducted in a timely manner and fees did not cover the cost of regulating the profession. Additionally, board vacancies were not filled in a timely manner.

In accordance with AS 08.03.010(c)(18), the board is scheduled to terminate on June 30, 2026. We recommend that the legislature extend the board's termination date five years to June 30, 2031, which is less than the eight-year maximum allowed by statute. The reduced extension reflects the need for more routine oversight to ensure corrective action is taken to address deficiencies.

Report Highlights (Continued)

4. DCBPL's director should ensure courtesy licensees comply with monthly reporting requirements.
5. DCBPL's director should ensure the board's fees cover the cost of regulating the profession.

Report Highlights

Why DLA Performed This Audit

The audit was performed to determine if there is a continued need for the board and if its termination date should be extended. The board is set to sunset on June 30, 2026, and will have one year from that date to conclude its administrative operations.

What the Legislative Auditor Recommends

1. The Office of the Governor, Boards and Commissions director should continue to work with the board to identify potential applicants to fill board seats in a timely manner.
2. The board should continue to seek a statutory change to address the Appraisal Subcommittee findings.
3. DCCED's commissioner should work with policy makers to improve the recruitment and retention of investigators.

A Sunset Review of the Department of Commerce, Community, and Economic Development (DCCED), Board of Certified Real Estate Appraisers (board)

April 14, 2025

Audit Control Number 08-20148-25

REPORT CONCLUSIONS

The board served the public's interest by conducting meetings in an effective manner, actively amending regulations, and effectively licensing real estate appraisers and registering appraisal management companies. The audit also concluded that one board position had been vacant for 56 months as of January 2025, statute changes may be necessary to address federal oversight findings, and board related investigations were not consistently conducted in a timely manner.

In accordance with AS 08.03.010(c)(20), the board is scheduled to terminate on June 30, 2026. We recommend that the legislature extend the board's termination date six years to June 30, 2032, which is two years less than the maximum allowed by statute. The extension recommendation takes into consideration the audit findings and the fact that the board is also subject to federal oversight.

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Report Highlights

Why DLA Performed This Audit

This audit reviews DFCS's compliance with select HB 151 foster care reform laws. Additionally, the audit determines whether DFCS's management structure over the foster care system is in line with best practices, reports permanency measures, and concludes as to the overall impact of foster care reform.

What the Legislative Auditor Recommends

1. OCS's director should implement procedures to ensure the annual staffing report is accurate.
2. OCS's director should implement procedures to ensure the annual recruitment and retention report is accurate and prepared in compliance with state law.
3. OCS's director should consider implementing a more comprehensive training program that is grounded in practical applications.

A Special Review of the Department of Family and Community Services (DFCS), Office of Children's Services (OCS) Implementation of Foster Care Reform Laws, Part 3

November 18, 2024

Audit Control Number 26-30097-25

REPORT CONCLUSIONS

The audit concluded that foster care reform did not effectively increase services for Alaskan children. Implementation of House Bill (HB) 151, along with other legislative efforts enacted from FY 16 through FY 23, failed to resolve the Office of Children Services' (OCS) labor challenges despite the legislature appropriating over \$20.7 million of additional funding and authorizing 110 new frontline caseworker and support positions. High vacancies and turnover led to excess budgetary authority, which was used, in part, for other purposes.

Caseload limits, referred to as "caseload caps", could not be fully implemented due to a lack of workers. Of the 115 case carrying workers with at least seven months of experience as of March 2024, 80 workers (70 percent) exceeded the average caseload cap of 13 families, with 52 workers (45 percent) carrying between 20 to 48 cases.

As a result of HB 151, the number of training weeks increased from a minimum of two weeks to a minimum of six weeks; however, the training method switched from in-person to virtual. Around the same time training became virtual, OCS began hiring workers with "core competencies" rather than hiring workers with a college degree or prior work experience. The audit questions whether five weeks of virtual training and one week of mostly remote mentoring is adequate to turn new hires with core competencies into qualified frontline caseworkers.

When considering OCS's workload, policy makers and other stakeholders should recognize that statutory requirements for

Report Highlights (Continued)

4. OCS's director should continue to implement hiring best practices.
5. OCS's director should consider enhancing data to align with best practices and make recruitment and retention efforts more meaningful.
6. OCS's director should develop a forward-looking plan for addressing recruitment and retention challenges.
7. Department of Health's assistant commissioner of finance and management services should liquidate an unsupported \$10 million encumbrance.

REPORT CONCLUSIONS (Continued)

OCS's annual recruitment and retention report understate OCS's workload. Specifically, the caseload data does not include cases managed by supervisors and other non-case carrying employees. As of March 15, 2024, 402 cases were assigned to 49 supervisors and other non-case carrying employees. Additionally, the report does not include secondary case assignments, which vary in the amount of work required and could resemble a primary assignment.

Auditors found that OCS's 2023 annual staffing report understated vacancies at the statewide and regional levels. Furthermore, the staffing report did not fully comply with statutory requirements, regional turnover statistics were not fully accurate, and supporting data was not consistently maintained by OCS staff.

A legislative consultant found that OCS's staffing report could be enhanced to better align with best practices. Furthermore, the consultant recommended changes to better align OCS management with best practices. Improving OCS's hiring process is critical to addressing labor challenges.

Federally required performance measures indicate that Alaska's children had lower permanency within the first two years than experienced nationally. Permanency after two years was generally consistent with national norms. Alaska's re-entry into foster care was better, or within, the national rates except during FFY 22. Placement stability rates were better than national rates in some years but worse in others.

