

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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SUMMARY OF: A Special Report on the Department of Commerce, Community, and Economic Development, Regulatory Commission of Alaska FY 13 Annual Report, May 16, 2014

PURPOSE OF THE REPORT

In accordance with Title 24 of the Alaska Statutes and a special request by the Legislative Budget and Audit Committee, we have conducted a performance audit of the Regulatory Commission of Alaska's (commission or RCA) FY 13 annual report.

REPORT CONCLUSIONS

Overall, the audit found the commission accurately reported on the status of utility dockets, pipeline dockets, statutory extensions, and complaint resolution and consumer outreach performance measures. Data reported in the FY 13 annual report for tariff filings, regulatory dockets, and the timeline performance measure was not reliable due to errors in the underlying case management system data.

FINDINGS AND RECOMMENDATIONS

Recommendation No. 1

The RCA chair should continue to implement and enforce written procedures to ensure case management system data is consistent, complete, and accurately reflected in the annual report.

RCA's FY 13 annual report contains errors in tariff filing and regulatory docket information. An examination of 75 of 318 tariff filings and two of 12 regulatory dockets open or opened during FY 13 found case management system data error rates of 21 percent and 50 percent respectively.

Although commission management developed written procedures for entering tariff filing and docket data during FY 12, testing results showed procedures were not consistently applied. The data errors can be attributed to a lack of adequate training and documentation of data review and lack of ongoing quality reviews.

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July 9, 2014

Members of the Legislative Budget
and Audit Committee:

In accordance with the provisions of Title 24 of the Alaska Statutes, the attached report is submitted for your review.

DEPARTMENT OF COMMERCE, COMMUNITY,
AND ECONOMIC DEVELOPMENT
REGULATORY COMMISSION OF ALASKA
FY 13 ANNUAL REPORT

May 16, 2014

Audit Control Number
08-30075-14

We have conducted an audit of the Regulatory Commission of Alaska (RCA) annual report in accordance with AS 24.20.271(11). RCA is required to annually report the performance measures it has adopted as well as its compliance with statutory timelines imposed on its activities. The purpose of the audit is to determine the accuracy of RCA's FY 13 annual report

The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Fieldwork procedures utilized in the course of developing the findings and recommendations presented in this report are discussed in the Objectives, Scope, and Methodology.

A handwritten signature in blue ink, appearing to read "Kris Curtis".

Kris Curtis, CPA, CISA
Legislative Auditor

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OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Title 24 of the Alaska Statutes, an audit was performed on the information pertaining to statutory timelines, timeline extensions, docket and tariff detail, and performance measures in the Regulatory Commission of Alaska's (commission or RCA) FY 13 annual report.

Objectives

The audit objective was to determine if the commission's FY 13 annual report accurately presents information regarding the timeline requirements of AS 42.05.175(a)-(e), commission timeline extensions implemented under AS 42.05.175(f), and the commission's adopted performance measures.

Scope

We analyzed the commission's FY 13 annual report to determine data accuracy for the reporting of:

- Utility, pipeline, complaint, and regulatory dockets;
- Tariff filings;
- Timeline extensions; and
- RCA-adopted performance measures.

We examined dockets and tariffs that were in open status at any point during FY 13. These consisted of 317 utility dockets, 231 complaint dockets, 47 pipeline dockets, 12 regulatory dockets, 318 tariff filings, and 21 statutory extensions.

Methodology

Six individual representative tariff filing and docket samples were evaluated to determine the accuracy of the tariff and docket data presented in the commission's FY 13 annual report. The samples were randomly selected and evaluated on a confidence level of 90 percent with a precision of +/-10 percent. For each sample, selected case management system docket and tariff filing data used to compile the annual report was compared to the commission's supporting records.

Performance measures reported in the commission's FY 13 annual report were evaluated for accuracy. The evaluation included:

- Examining the testing results of the case management system docket, tariff filing, and timeline extension data.

- Inquiring of agency management concerning outreach activities completed during the year and examining travel authorizations and program materials.

During fieldwork, we also:

- Interviewed RCA management to gain an understanding of case management system data and the information presented in the FY 13 annual report.
- Examined Alaska Statutes specific to RCA to determine statutory timeline and reporting requirements.
- Examined state accounting system management reports to determine commission expenditure accuracy by line item in the RCA FY 13 annual report.
- Assessed control procedures over the case management system data.

ORGANIZATION AND FUNCTION

The Regulatory Commission of Alaska (commission or RCA) is responsible for ensuring safe, adequate, and fair public utility and pipeline services. The commission fulfills its responsibilities by allowing regulated entities to charge user rates and provide services in a manner consistent with both the public and regulated entities' interests. The commission has the authority to adopt regulations and to hold formal, quasi-judicial hearings to ensure its responsibilities are met.

The commission regulates pipeline, telephone, electric, natural gas, water, sewer, refuse, and heat services through a certification process. Public utility and pipeline companies must obtain certificates of public convenience and necessity which describe the authorized service area and scope of operations. Certificates are issued when RCA formally finds an applicant to be fit, willing, and able to provide the service requested.

In addition to the certificate process, the commission may also economically regulate rates, classifications, rules, regulations, practices, services, and facilities of public utility and pipeline companies covered by statute. The commission determines whether the rates being charged or proposed by regulated entities are fair, just, and reasonable.

All economically regulated utility and pipeline companies are required to maintain a tariff and operate under the terms of the tariff. *Tariffs* are the written terms, conditions, rules, and rates governing a company's conduct in providing public utility or pipeline services. The commission reviews all initial tariffs and tariff revisions.

The commission records in dockets activities related to certifying and regulating public utility and pipeline companies, resolving formal complaints, and adopting regulations. These dockets are categorized into four types: utility, pipeline, complaint, and regulatory.

As shown in Exhibit 1, RCA consists of five commissioners. Commissioners are appointed by the governor, confirmed by the legislature for six-year terms, and must either be a member of the Alaska Bar Association or have a degree in engineering, finance, economics, accounting, business administration, or public administration from an accredited university. The commission's staff includes: administrative law judges, engineers, financial analysts, consumer protection officers, paralegals, and administrative and support staff. RCA also receives legal advice from counsel assigned to it by the Department of Law.

Exhibit 1

**Regulatory Commission
of Alaska Members
as of June 30, 2013**

T.W. Patch, Chair
Term Expires March 2016

Robert Pickett
Term Expires March 2020

Norman Rokeberg
Term Expires March 2019

Paul Lisankie
Term Expires March 2015

Jan Wilson
Term Expires March 2018

RCA had 54 permanent and five non-permanent positions in its \$9.4 million FY 13 operating budget.

BACKGROUND INFORMATION

Alaska Statute (AS) 42.05.175(a)-(f) provides statutory timelines for tariff filings, and regulatory and utility dockets. Alaska Statute 42.05.175(i) addresses timelines for adjudicated utility docket matters that are not already subject to a timeline under federal law or AS 42.05-175(a)-(e). Exhibit 2 summarizes AS 42.05.175 timeline requirements.

Exhibit 2

Alaska Statute 42.05.175 Timelines

- (a) *The commission shall issue a final order not later than 180 days after a complete application is filed for an application*
 - (1) *For a certificate of public convenience and necessity;*
 - (2) *To amend a certificate of public convenience and necessity;*
 - (3) *To transfer a certificate of public convenience and necessity; and*
 - (4) *To acquire a controlling interest in a certificated public utility.*
- (b) *... The commission shall issue a final order not later than 270 days after a complete tariff filing is made for a tariff filing that does not change the utility's revenue requirement or rate design.*
- (c) *... The commission shall issue a final order not later than 450 days after a complete tariff filing is made for a tariff filing that changes the utility's revenue requirement or rate design.*
- (d) *The commission shall issue a final order not later than 365 days after a complete formal complaint is filed against a utility or, when the commission initiates a formal investigation of a utility without the filing of a complete formal complaint, not later than 365 days after the order initiating the formal investigation is issued.*
- (e) *The commission shall issue a final order in a rule-making proceeding not later than 730 days after a complete petition for adoption, amendment, or repeal of a regulation...*
- (f) *The commission may extend a timeline required under this section if all parties of record consent to the extension or if, for one time only, before the timeline expires, the*
 - (1) *Commission reasonably finds that good cause exists to extend the timeline;*
 - (2) *Commission issues a written order extending the timeline and setting out its findings regarding good cause; and*
 - (3) *Extension of time is 90 days or less.*
- (i) *In adjudicated docket matters that come before the commission under state law or federal law and are not subject to a timeline under federal law or (a)-(e) of this section, the commission shall issue a final order not later than 180 days after the filing of an initiating petition. If the matter is commenced on the commission's own motion, the commission shall issue a final order not later than 365 days after the issuance of an order opening the docket. This subsection does not apply to a complaint against a utility, a petition to revoke a certificate of public convenience and necessity, or a functionally equivalent filing.*

The Regulatory Commission of Alaska (commission or RCA) is required to publish an annual report about its activities and compliance with statutory timelines.

Alaska Statute 42.05.211 mandates that RCA publish an annual report concerning public utility services and performance measures, specifying:

The commission shall, by November 15 of each year, publish an annual report reviewing its activities during the previous fiscal year and notify the legislature that the report is available. The report must address the regulation of public utility service in the state as of June 30 and must contain details about the commission's compliance with the requirements of AS 42.05.175(a)-(e), with the timeline extensions made by the commission under AS 42.05.175(f), and with other performance measures established by the commission.

Similarly, AS 42.06.220 mandates that RCA annually report on pipeline activities and performance measures stating:

The commission shall, by November 15 of each year, publish an annual report reviewing its activities during the previous fiscal year and notify the legislature that the report is available. The report must address the regulation of oil and gas pipeline facilities in the state as of June 30 and must contain details about the commission's compliance with performance measures reported by the commission.

To address the statutory report requirements, the commission publishes its utility and pipeline activities in one annual report. Performance measures are established annually by the commission and included in the annual report. RCA's FY 13 performance measures are noted in Exhibit 3.

Exhibit 3

RCA FY 13 Performance Measures

Target #1: Review all utility and pipeline filings within applicable timelines.

Target #2: Complete disposition of all informal complaints within established timelines.

Target #3: Participate in outreach opportunities to regulated utilities and consumers.

REPORT CONCLUSIONS

The purpose of this audit is to evaluate the accuracy of the Regulatory Commission of Alaska's (commission or RCA) FY 13 annual report which includes the accuracy of information concerning statutory timelines, timeline extensions, performance measures, and docket and tariff detail. This audit does not conclude on the effectiveness of RCA's decisions or its measures.

Overall, the audit found the commission accurately reported on the status of utility dockets, pipeline dockets, statutory extensions, and complaint resolution and consumer outreach performance measures. Data reported in the FY 13 annual report for tariff filings, regulatory dockets, and the timeline performance measure was not reliable due to errors in the underlying case management system data. Detailed conclusions are discussed below.

RCA's FY 13 annual report data for utility dockets, pipeline dockets, and statutory extensions was accurately reported.

An analysis of utility dockets, pipeline dockets, and statutory extension data verified that, in the FY 13 annual report, the commission accurately reported its compliance with statutory timeline requirements for utility and pipeline dockets as well as statutory extensions.

RCA's FY 13 annual report data for tariff filings and regulatory dockets was found to be unreliable.

Incorrect or incomplete data entered into the case management system resulted in inaccurate tariff filings and regulatory docket data reported in the FY 13 annual report. Seventy-five of 318 tariff filing and two of 12 regulatory dockets examined found case management system error rates of 21 percent and 50 percent in each respective sample.¹ Consequently, this audit concludes that the tariff filing and regulatory docket information in the annual report is unreliable based on the inaccurate underlying data in the case management system. This finding is further discussed in Recommendation No. 1.

Not all performance measures were found to be accurately reported.

The audit confirmed the performance measures relating to dispute resolution and consumer outreach were accurately reported in the FY 13 annual report. However, the audit was unable to confirm the timeline performance measure was accurately reported because the underlying case management system data was deemed unreliable for tariff filing and regulatory dockets as discussed above.

¹Based on a 90 percent confidence level, the projected error rates derived from tariff test work exceeded the assigned acceptable tolerable error rate of 10 percent in the sample. Statistical analysis resulted in a projected error rate of 28 percent for tariff filings.

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FINDINGS AND RECOMMENDATIONS

In 2012, the Division of Legislative Audit issued an audit of the FY 11 Regulatory Commission of Alaska (commission or RCA) annual report.² The audit contained one recommendation that the commission's chair implement and enforce written procedures to ensure case management data is accurate, consistent, and complete. Although this audit found fewer errors than the audit of the FY 11 annual report, the prior recommendation has not been fully addressed and has been reiterated as Recommendation No. 1.

Recommendation No. 1

The RCA chair should continue to implement and enforce written procedures to ensure case management system data is consistent, complete, and accurately reflected in the annual report.

RCA's FY 13 annual report contains errors in tariff filing and regulatory docket information. An examination of 75 of 318 tariff filings and two of 12 regulatory dockets open or opened during FY 13 found case management system data error rates of 21 percent and 50 percent respectively.

Although commission management developed written procedures for entering tariff filing and docket data during FY 12, testing results showed procedures were not consistently applied. The data errors can be attributed to a lack of adequate training and documentation of data review and lack of ongoing quality reviews.

It is RCA management's responsibility to ensure information collected and reported is accurate, consistent, and complete. Inaccurate data in the commission's annual report may mislead the legislature, industry, and the public regarding the commission's efficiency and effectiveness in performing its functions.

We recommend RCA's chair continue to implement and enforce written procedures to ensure case management system data is consistent, complete, and accurately reflected in the annual report.

²*Department of Commerce, Community, and Economic Development, Regulatory Commission of Alaska, FY 11 Annual Report, Audit Control Number 08-30067-12.*

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THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Department of Commerce, Community,
and Economic Development

OFFICE OF THE COMMISSIONER

P.O. Box 110800
Juneau, Alaska 99811-0800
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November 19, 2014

Kris Curtis, CPA, CISA
Legislative Auditor
Alaska State Legislature
Legislative Budget and Audit Committee
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

RECEIVED
NOV 20 2014
LEGISLATIVE AUDIT

Re: Committee Request for a more detailed corrective action plan dated October 31, 2014.

Dear Ms. Curtis:

On October 31, 2014 the Regulatory Commission of Alaska (RCA or commission) received the Legislative Budget and Audit Committee (committee) request for a more detailed corrective action plan in response to the following report:

Department of Commerce, Community, and Economic Development, Regulatory Commission of Alaska, FY13 Annual Report, May 16, 2014.

Thank you for the opportunity to further respond to the preliminary audit report and recommendation issued to the Regulatory Commission of Alaska (RCA) referenced above.

Report Conclusion

RCA's FY13 annual report data for utility dockets, pipeline dockets, and statutory extensions was accurately reported.

DCCED appreciates that RCA is being recognized for their efforts to accurately report RCA compliance with statutory timeline requirements for utility and pipeline dockets as well as statutory extensions.

RCA's FY13 annual report data for tariff fillings and regulatory dockets was found to be unreliable.

As a result of information discovered, the RCA recognized that recent fiscal year tariff data was unreliable, and that there was a need for continued training and quality control among tariff personnel. The RCA has taken measures to ensure that their timelines follow regulations for docket requirements. In their response letter dated November 13th 2014, RCA explains the unique situation

Ms. Kris Curtis. CPA, CISA

November 19, 2014

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of two dockets that appear to be unreliable. It is the view of the RCA that the docket data is reliable but that it is presented in two views in the annual report.

Not all performance measures were found to be accurately reported.

It is the opinion of the RCA that there have been no errors in reliability in the reporting measures. After a review of the 12 regulatory dockets being processed during that time frame all timeline performance measures were accurately reported for FY13.

Findings and Recommendations:

Recommendation No. 1

DCCED concurs with the action plan established by RCA for Recommendation No. 1 as detailed in their November 13, 2014 response. The RCA is committed to continual refinement and implementation of its procedures in their quality control measures and ensuring that all data is consistently accurate.

Again, thank you for an opportunity to respond to the auditor's request for a more detailed action plan. If you have any additional questions please contact me at 465-2500.

Regards,



Susan K. Bell
Commissioner

cc: Jeanne Mungle, Director ASD
Robert M. Pickett, Chairman, RCA



STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

Bill Walker, Governor
Fred Parady, Acting Commissioner
Robert M. Pickett, Chairman

Regulatory Commission of Alaska

December 2, 2014

Kris Curtis, CPA, CISA
Legislative Auditor
Division of Legislative Audit
Alaska State Legislature
P.O. Box 113300
Juneau, Alaska 99811-3300

RECEIVED
DEC 02 2014
LEGISLATIVE AUDIT

RE: Committee request for a more detailed corrective action plan, dated October 31, 2014

Dear Ms. Curtis:

On October 31, 2014, the Regulatory Commission of Alaska (RCA) received the Legislative Budget and Audit Committee request for a more detailed corrective action plan in response to the following report:

Department of Commerce, Community, and Economic Development, Regulatory Commission of Alaska, FY 13 Annual Report, May 16, 2014

You requested that a response address the Report Conclusions as well as the Findings and Recommendations.

Report Conclusions

RCA's FY 13 annual report data for utility docket, pipeline docket, and statutory extensions was accurately reported.

The RCA appreciates recognition that it accurately reported RCA compliance with statutory timeline requirements for utility and pipeline docket as well as statutory extensions.

RCA's FY 13 annual report data for tariff filings and regulatory docket was found to be unreliable.

The RCA appreciated the opportunity provided by questions raised during the audit to review tariff data entry and reports. The review uncovered gaps in database understanding among tariff personnel. As a result of information discovered, the RCA recognized that FY 13 tariff data was unreliable and a need for continued training and quality control existed.

The RCA takes measured exception to the audit observation that regulations docket data is unreliable and explains its position. By this measured exception, the RCA offers clarifying explanation.

The regulations docket in question involves the extremely rare circumstance where the commission issues two "final" orders in the same proceeding. The case management system contains timely entered and fully accurate data detailing the circumstances and rationale for the issuance of both final orders. The initial final order was issued well before the original statutory timeline and was in all respects properly reported. The second final order readopted regulations, after an independent post-adoption review by the Department of Law. The second final order was issued before the properly reported statutory timeline and the issuance of the order did not significantly or materially affect the RCA or adversely impact the public interest. To avoid similar issues with two "final" orders in future proceedings, the RCA directed that data base programming be done to make available a data field where second final order dates could be recorded. Since June 2014 that field has been available.

Having provided the additional information to clarify matters questioned during the audit, the RCA hoped the auditor might elect to reconsider the position that case management data for regulations dockets was unreliable.

Not all performance measures were found to be accurately reported.

The RCA appreciates the recognition that performance measures relating to dispute resolution and consumer outreach were accurately reported in the FY 13 annual report. Having recognized, as stated above, that FY 13 tariff STAR data was unreliable the RCA understands the statement that the audit was unable to confirm the timeline performance measure for tariff filings. However, as detailed above, the RCA doesn't agree with the conclusion that case management system data for regulatory dockets was unreliable. A review of the 12 regulatory dockets open during FY 13 confirms that the timeline performance measure for regulatory dockets, as a part of all dockets, was accurately reported for FY 13.

Findings and Recommendations:

Recommendation No.1

RCA's Chair should continue to implement and enforce written procedures to ensure case management system data is consistent, complete, and accurately reflected in the annual report. The RCA began implementation of its STAR data base in late 2008. The enclosed spreadsheet illustrates RCA efforts to improve case management system data entry and quality control after receiving the October 2010 audit report of the RCA FY 2009 annual report. As acknowledged in June 2012, August 2013, and May 2014 the RCA has been responding to and resolving concerns regarding the case management system. In June 2014 the Chair specifically

- charged section supervisors with providing every member of section with a procedures and training manual within 45 days that explains how data entry is handled for section. Section supervisor to report in writing when accomplished. (All reports received.)
- charged section supervisors with responsibility to obtain from each member of section a written certification within 60 days that member had read the procedures and training manual provided. Supervisors were also tasked with testing employee knowledge of procedures. (All certifications received.)
- tasked section supervisors with conducting ongoing quarterly training, and reviewing data entry. Chair also specifically tasked section supervisors with performing quality control analysis. Chair required written certification for the first five quarterly trainings that were to begin within 90 days and continue for at least a year thereafter. (All certifications for first quarterly training received.)

In early November the Chair met with section supervisors, management team members, and others who have responsibility for case management system to review progress and expectations. It is anticipated that the continuing efforts to increase the reliability of the RCA case management system will result in a higher degree of confidence in the RCA annual report.

Thank you for the opportunity to provide more details on corrective actions taken to implement and enforce written procedures to ensure case management system data is consistent, complete, and accurately reflected in the RCA's annual report.

Respectfully yours,



Robert M. Pickett
Chairman

Enclosure

cc: Fred Parady
Acting Commissioner
Department of Commerce, Community & Economic Development

Summary of Legislative Budget Audit Recommendations and RCA Actions Regarding Case Management System

Date	Document	LB&A Recommendation	RCA Actions in response	LB&A acknowledgement
Oct-10	FY 2009 Annual Report audit report	RCA management should implement and enforce written procedures to ensure the case management system data is accurate, consistent and complete.		
Feb-12			Set of comprehensive written procedures distributed to staff (R&F, paralegals, Tariff).	
Feb-12 through Jun-12			Implemented an additional layer of data review in the Tariff section by requiring the initial data entry be performed by administrative staff, with a secondary review being performed by the tariff section supervisor.	
May or Jun-12			The tariff review process was revised further by tasking senior tariff analysts with the responsibility of reviewing data entries for accuracy after initial data entry and review by the tariff section supervisor.	
Jun-12	FY 2011 Annual Report audit report			The findings have been partially resolved. . . . [D]ata issues persist. Test work showed there were no written procedures for control over input and maintenance of case management system data in FY 11. Lack of adequate controls resulted in unreliable and inaccurate data being reported in the commission's FY 11 annual report. The deficiencies in the case management data used for the annual report are reiterated in Recommendation No. 1.

Summary of Legislative Budget Audit Recommendations and RCA Actions Regarding Case Management System

Date	Document	LB&A Recommendation	RCA Actions in response	LB&A acknowledgement
Jun-12	FY 2011 Annual Report audit report	The RCA chair should implement and enforce written procedures to ensure that case management system data is accurate, consistent, and complete.		
Nov-12			Chairman directed that case management procedures used by Commission section law office assistants be standardized and written.	
Aug-13			Additional procedures addressing paralegal responsibilities provided.	
Aug-13	2013 Sunset audit report			This prior recommendation has been partially implemented and is reiterated.
Aug-13	2013 Sunset audit report	RCA's chair should improve and enforce written procedures to ensure case management system data is accurate, consistent, and complete.		
Jan-14			Tariff section written procedures revised to provide detailed instruction for data entry and tariff filing set up.	
May-14			Paralegal section provided with additional written procedures, some of which address data entry and the monitoring of docket timelines.	
May-14	FY 2013 Annual Report audit report			Although this audit found fewer errors than the audit of the FY 11 annual report, the prior recommendation has not been fully addressed and has been reiterated as Recommendation No. 1.

Summary of Legislative Budget Audit Recommendations and RCA Actions Regarding Case Management System

Date	Document	LB&A Recommendation	RCA Actions in response	LB&A acknowledgement
May-14	FY 2013 Annual Report audit report	The RCA chair should continue to implement and enforce written procedures to ensure case management system data is consistent, complete, and accurately reflected in the annual report.		
Jun-14			Chair charged section supervisors with providing every member of section with a procedures and training manual within 45 days that explains how data entry is handled for section. Section supervisor to report in writing when accomplished.	
Jun-14			Chair charged section supervisors with responsibility to obtain from each member of section a written certification within 60 days that member had read the procedures and training manual provided. Supervisors were also tasked with testing employee knowledge of procedures.	
Jun-14			Chair tasked section supervisors with conducting ongoing quarterly training, and reviewing data entry. Chair also tasked section supervisors with performing quality control analysis. Chair required written certification for the first five quarterly trainings that were to begin within 90 days and continue for at least a year thereafter.	
Nov-14			Chair met with section supervisors, management team and others who have responsibility for case management system to review progress and expectations.	

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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December 4, 2014

Members of the Legislative Budget
and Audit Committee:

We have reviewed the Regulatory Commission of Alaska (RCA) chairman's and the Department of Commerce, Community, and Economic Development (DCCED) commissioner's responses to this report and offer the following comments.

RCA's FY 13 annual report data for tariff filings and regulatory dockets was found to be unreliable.

We have reviewed the RCA chairman's and the DCCED commissioner's responses to this conclusion and nothing contained in the response provides sufficient information to persuade us to remove or revise this conclusion.

Not all performance measures were found to be accurately reported.

We have reviewed the RCA chairman's and the DCCED commissioner's responses to this conclusion and offer the following clarifying comments.

A test of two of 12 regulatory dockets found both dockets were incorrectly reported in the annual report. One of the errors was caused by the underlying case management system as described in the Report Conclusions section of the audit. The second docket error was unrelated to the case management system. Based on these two reporting errors and the large percentage of errors identified during tariff testing, the annual report data for the performance measure, which includes tariffs and all dockets (regulatory, utility, and pipeline), was unreliable.

We acknowledge that the additional regulatory docket reporting error was not included in the audit as support for the conclusion that not all performance measures were found to be

accurately reported. However, the error was discussed with RCA management and included in formal communications with RCA.

In summary, we reaffirm the finding and recommendation presented in the audit.

A handwritten signature in black ink, appearing to read "Kris Curtis". The signature is fluid and cursive, with a large initial "K" and a distinct "C" at the end.

Kris Curtis, CPA, CISA
Legislative Auditor